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Social Democratic Group 'Europa' on Privatization

91BA0736A Sofia DUMA in Bulgarian 20 May 91 p 4

[Article by the parliamentary faction Social Democratic Platform 'Europa': "The Society—Coparticipation Toward Privatization"]

[Text] Privatization, taking ownership from the state and creating a strong private sector, is undoubtedly among the problems that most trouble the people of Bulgaria. Privatization is at the heart of the change in the economic system. In the political character of the democratic transition we are experiencing, there is a tearing down of totalitarian power and the formation of social-political pluralism. In the economic character of the change, there is the creation of a similar pluralism—that is, of a system in which a majority of economic units, independent and equally placed, with no difference in the forms of ownership, function as centers of profit in a market regime.

Only a market economy with limited redistributive processes can be the basis for building a society in which the freedoms, rights, and interests of a person, and his independence and protection in relation to the state and its bureaucratic apparatus are guaranteed.

And another very important thing: Only such an economy can be competitive and viable in the modern world. In this context, the method for implementing privatization that will most stimulate economic initiative and the citizens' enterprise, as well as their labor contribution, and will at the same time contribute to stabilizing and taking us out of the economic crisis as a whole is the most suitable and expedient. With a view toward the immediate economic goals of privatization, it must be implemented in such a way as to create stable and competitive economic units that will be real sources of individual income for the citizens. Along with that, the state should receive from privatization additional budgetary revenues from taxes, from the sale of state property, and from the profit from enterprises in which it retains an interest.

In the process of privatization, two mutually related phases stand out. We would conditionally call them "a phase of division" and "a phase of construction." In the first phase, according to our understanding, the society must guarantee each citizen the right of ownership over a determined share of the social wealth accumulated thus far.

Without this first phase, only a privileged few, having accumulated more savings, very often by speculation or due to their access to power, will appropriate the current state ownership through privatization. And the labor of every Bulgarian citizen is invested in its creation. And, if we want the society to understand, to accept, and to support privatization in the first division phase, all adults would have to have the right to participate.

The second, the construction phase, is the phase for the formation of new effective economic units, centers of profit. In this phase, on a competitive principle, those will succeed who are able to organize the effective use of available resources, to reorganize and bring the enterprises to the level of the dynamic demands of the market. This assumes initiative in privatization not on the part of some state organ but by people who possess the knowledge and the ability for modern business management and are able to sustain the contractor risk. This means that the initiative is for the entrepreneurs and the managers. And the wider the circle of people who in the first phase receive the right to acquire ownership, the better will be the chosen entrepreneurs, those who will make the enterprises effective and profitable.

The method we are proposing does not promise an equal start; just as clearly, the finale cannot be equal for all. The real and practical solution is for everyone to be ensured the right to be included in the competition, which will reveal the enterprising and the capable.

If we accept this concept, the basic means for privatization is the investment bond.

In the "division phase," investment bonds are granted to all adult citizens, divided in groups according to length of service. There is no question of distributing money, which leads to inflation. The bond in the first stage is not a true bond, which engenders rights, leading to a dividend and to profit. It is simply a certificate that guarantees each the right to acquire state ownership in a certain amount. That does not mean that each will necessarily manage to enter into proprietary relationships, to become a proprietor, and to profit from this.

The citizen will make his own economic choice as to where to invest his bonds.

Giving up his bonds for stocks and shares in firms, the individual citizen unites his rights of ownership with others and grants the management to the entrepreneur he trusts. If the citizen is not able to, or does not wish to, use his bonds in such a way, he would have to be able to sell them for available money, but at prices relative to supply and demand. This is not a source of inflation because the buyer will buy bonds only when he has projects toward which he can direct those bonds and from which he can earn more than what he paid for the bonds. To avoid speculation, it is right that the sales and trade be carried out by banks authorized to do that.

The state should also receive bonds, and in an amount that presupposes what will be the share of the state ownership in privatized branches and enterprises at the present stage. Of basic significance in this process is what kinds of contracts there will be for privatization.

Two types of contracts are necessary—those based on proposals or on value. In the first type, larger concerns will be offered (for example, over 10 million levs). The basic criteria for them would have to be the profit, which the entrepreneurs would secure with competitive bids.

The second type of contract would be for smaller projects. The bids would be based on the value of the concern.

In both cases, the bidders will prove the origin of both the money and their bonds.

In the first round of contracts, foreigners should not participate. More exactly, they will have access only through Bulgarians, not directly; therefore, the percentage of foreign participation will be limited. For example, one company should not be able to participate in the planned partnership with more than, say, 10 percent of the regulation fund. Several foreign companies can participate, with 10 percent each, but their total participation should not exceed a qualified majority determined by law. Through such indirect limitations, Bulgarian entrepreneurs will be ensured significant weight, without turning away foreign investors.

In the second round, foreigners will be able to participate directly and independently. This is a bidding round for concerns for which there is no one in Bulgaria to bear the entrepreneurial risk.

Privatization and reprivatization (that is, the fate of the nationalized ownership) are two closely tied, but also relatively independent, problems. There will be no fairness in privatization unless the offended rights and interests of the former owners are considered. The unconditional restoration of the status quo from before 9 September 1944 is also, however, economically unjustified, socially unfair, and practically unfeasible. Such an approach would not only delay privatization as a whole but would also miss its real goal—for the economy of the country to be put on the road to dynamic and effective development. There exists an objective critical boundary, beyond which the national economy would not bear the burden of restitution and damages. If this boundary is crossed in the interest of the former owners, all will be injured—not just today's but also future generations.

We are in favor of the kind of solution that perceives compensation as a basic principle rather than restitution (that is, the return of the former ownership in kind). With such a solution, it is a question not of unconditional, but of just and differential, compensation—compensation differentiated according to the current possibilities in the Bulgarian economy, in accordance with the amount, type, and form of the former ownership, the grounds and method of expropriation, the damage received, and the changes the properties have undergone through the passing years. As for the mechanism, in accordance with the general approach to privatization, even in this particular case the compensation would have to be in the form of investment bonds and with set privileges, when any former owner wished to recover the property in kind.

With privatization, it is exceptionally important not to delay creating market conditions for the functioning of privatized as well as nonprivatized enterprises. That is

why, together with the measures for privatization, we are for a quick commercialization of the enterprises that remain in the hands of the state, for their return to autonomous, active participants in the market economy, working for their own account.

Under the conditions for the functioning of capital, special significance is given to legislating the methods by which competition will be formed in Bulgaria, and also the legal protection of contractuality, of its rights as a factor for the economic progress in the country. We are for a clear legislation of the conditions for domestic competition, as well as the competition through imported goods, for competition between producers and competition between distributors. We are in favor of regulating the legal rights of the entrepreneur in relation to those concerned with the economic units, and in relation to third parties, including the state, that cannot be restricted on their own.

As a whole, privatization has chances proportionate to the stability of the regulative factors in the economy.

In form and content, the method proposed by us suits the requirements of a concept socially democratic in its character because, without wage-leveling, each is given the opportunity to become a coparticipant in privatization. The one who is capable of more will become an entrepreneur, an owner, without the others being deprived of their entitled shares, according to the labor invested in constructing the social wealth. Every citizen will have the right and the opportunity to choose what to do with his own labor share, to trust in the most capable, and to give that person the green light, while he himself gains from it. And, what is especially important—such privatization would result in the formation of a multitudinous layer of owners, entrepreneurs, holders of intellectual properties, and potential businessmen, who are not only the most important factor for effective future development of the Bulgarian economy but also one of the healthiest supports of democratic civil society.

Filip Dimitrov on Current SDS Developments

AU0607153791 Sofia TRUD in Bulgarian

2 Jul 91 pp 1-2

[Report on interview with Filip Dimitrov, chairman of the Coordinating Council of the Union of Democratic Forces by Magdalena Gigova in Sofia on 1 July: "Filip Dimitrov Makes No Election Forecasts Because He Preserves His Reputation"]

[Text] As he hurried along from a quick coffee break following the regular news briefing of the Union of Democratic Forces [SDS] on 1 July to his meeting with the Turkish ambassador at the latter's request (even the SDS Coordinating Council chairman did not know the subject to be discussed), Filip Dimitrov was kind enough to comment briefly to the TRUD correspondent on the numerous political events of the weekend. We talked in

the elevator, the corridor, and at the entrance to his office. Mr. Dimitrov was as he always is—diplomatic, kind, and...enigmatic.

"This Saturday and Sunday, many things have been clarified," said Mr. Dimitrov. "I cannot finally assess how things will develop in the future, but, according to the position at the moment, it is emerging that the Bulgarian Social Democratic Party [BSDP] is distancing itself from the viewpoints of the SDS. However, this provides no grounds for quarreling or for breaking off civilized dialogue."

[Gigova] What kind of list will the SDS use in the elections?

[Dimitrov] Let us wait and see the kind of electoral law under which we will fight these elections.

[Gigova] How do you assess the actions of the 11 members of parliament from the Nikola Petkov Bulgarian National Agrarian Union who declared that they were leaving parliament?

[Dimitrov] I think they have taken a step that corresponds to the spirit and the decisions of the SDS.

[Gigova] What do you think about the decisions of the Green Party? After all, you were once its deputy chairman!

[Dimitrov] True, but I have not held this post since March, when the party held its last conference. I explicitly asked to be relieved to be able to fulfill my functions as chairman of the SDS Coordinating Council. The decisions of a party are made by its leadership. The viewpoints of the Green Party may need clarification, but, as an ordinary member, I am entitled to disagree with them.

[Gigova] Recently, the word "unity" is being repeated like an incantation, yet many SDS members remain in parliament....

[Dimitrov] We respect the autonomy of a member of parliament's mandate, but there is a difference between speaking on one's own behalf and speaking in the name of a certain political force. The deputies who have stayed in parliament do not speak in the name of the SDS.

[Gigova] As a lawyer, how do you view the constitution that is being debated at present?

[Dimitrov] There are serious deviations in the balance of powers, but this is the subject of a very long debate.... I also have objections regarding human rights, not to mention the fact there is also another group of issues, connected with the representativeness of the National Assembly at the moment and the way in which the voting of the constitution is proceeding....

[Gigova] Are you afraid to make a prediction about the outcome of the elections?

"Of course I am afraid! Imagine that I am mistaken. This could cast a stain on my reputation," said Mr. Filip Dimitrov with a smile, concluding our conversation.

SDS Problems Involving Intellectual Elite

AU0507193191 Sofia DEMOKRATSIYA in Bulgarian
2 Jul 91 p 5

[Interview with Member of Parliament Georgi Markov, deputy chairman of the Democratic Party, by Silvia Stefanova; place and date not given: "The Nation's Elite Voted for the Union of Democratic Forces, but We Did Not Do Anything To Involve It"—first three paragraphs are DEMOKRATSIYA introduction]

[Text] Is the intelligentsia withdrawing from the Union of Democratic Forces [SDS]?

Who is more useful to our nation today? Amateur politicians, demagogues, professional politicians, shady businessmen...or those who left Bulgaria? The intelligentsia within the SDS reminds us of those naive boys and girls in the old days who used to sit together at village gatherings, pushing and pinching each other and starting to fight, before they found the courage to do something else.

Should we be afraid that, while the SDS is still considering at length how to resume its courtship of intellectuals, some well-fed red "uncle" has already managed to corrupt our intelligentsia, as happened in the recent past?

I interviewed Georgi Markov, deputy chairman of the Democratic Party, on the subject:

[Stefanova] What mistakes has the SDS committed, and why is there so much talk today about the members of the intelligentsia having withdrawn from political life?

[Markov] Immediately following the last elections, in 1990, the SDS could proudly announce that 2 million Bulgarians, the elite of our youth and intelligentsia, had voted for it. Nevertheless, one year later, the democratic opposition has not acquired one new face as a politician or an expert. This is a gross shortcoming because, as a matter of fact, our nation's elite did vote for us, but we failed to do what is necessary to directly involve such people in SDS activities—as experts, members of provisional local governments, or active participants in our political life within the country and abroad. Many of these SDS supporters are skilled professionals and have enough personal pride, which prevents them from fighting for SDS membership.

The Group of 39 is now doing everything within its power to convince such individuals that they should sacrifice their careers for the cause of democracy, if necessary.

[Stefanova] Throughout the last year, it became evident that, as far as the members of the opposition were

concerned, the most direct path to achieve prestigious posts was the road through parliament. How do you assess this fact?

[Markov] Even when it was a question of ambassadorial appointments, as in the case with Belgium, and even when it is a question of appointing a mayor or a deputy minister of justice, as was the case with Sofia, it turns out that we are always looking at the same people—namely, at members of parliament. As if the SDS consisted only of 140 National Assembly deputies belonging to the SDS parliamentary group and of no more than 20 SDS Coordinating Council members. It is inadmissible that we may only choose from among the same people, whenever the question of any new position arises. We were boasting that the ambassador to the United States, whom we introduced to Dr. Zhelev, is very competent. However, I was amazed when I read his interview with DEMOKRATSIYA.

[Stefanova] What was so shocking about the interview?

[Markov] How is it possible to describe the Land Law, which is simply inapplicable, as the most effective law in the field of agriculture that has been adopted in all of Eastern Europe? Even the most ignorant man understands that the law is absurd. How can you say that Bulgaria is a very democratic country, when the Chief Prosecutor's Office has not elected one new prosecutor? It is a fact that, after the bill was passed at Dr. Zhelyu Zhelev's proposal, the Prosecutor's Office was depoliticized.... Nevertheless, essentially the same people remained.

Bulgaria is by no means a democratic country, at least because, one year and a half after the "decisive date of 10 November 1989," no one has been convicted as having been responsible for the third national disaster. Let us not mention the fact that a year after the elections, privatization has not even started. What kind of economic reform are we talking about?

[Stefanova] What should the SDS do, according to you, in order to involve more members of the intelligentsia in the country's political life?

[Markov] We should not permit the establishment of a "blue" [SDS] *nomenklatura*. As far as parliament members are concerned, they should be nominated only at large public forums in the future. We should find the most qualified people—more people like Ilko Eskenazi, Ivan Kostov, Aleksandur Dzherov, and Ventsislav Dimitrov, for example. This is necessary because the next parliament will face the incredibly difficult task of transforming the entire range of social relations in Bulgaria into a legal basis. This can be accomplished only by energetic people who have preserved their moral standards, and by highly educated specialists, above all.

BSDP Leadership Distances Itself From SDS

AU0607183691 Sofia SVOBODEN NAROD
in Bulgarian 2 Jul 91 p 3

[Report by Georgi Velichkov]

[Text] Journalists were allowed free access to the meeting of the National Committee of the Bulgarian Social Democratic Party [BSDP] [held in Sofia on 30 June]. At the meeting, the fiercest debates were on the issues of adopting a decision on leaving or remaining in the Union of Democratic Forces [SDS] and of the attitude toward the Krustyu Pastukhov Discussion Club. Most of those present advocated the immediate disbanding of the club. In their view, the club was creating factional structures aimed at shifting the party from its political positions. Nonetheless, Dr. Dertliev was obliged to make an appeal for greater tolerance. The leaders will be invited to talks, and, if they fail to respond and to cease their factional activity within 10 days, the club will be disbanded.

The view was expressed that, even on a separate ticket, the BSDP will win more than the 6 percent of the votes it has in the present parliament. One of the speakers claimed that people in the villages and small towns know the SDS only as the BSDP and the Nikola Petkov Bulgarian National Agrarian Union.

After doubt had been shed on the legitimacy of the SDS National Conference and fears voiced about anti-democratic tendencies within the SDS, the BSDP National Committee resolved as follows:

1. It does not accept the decisions of the SDS Third National Conference, regarding them as contrary to both the BSDP Statute and to the principles embodied in the constituent SDS Declaration and Statute.
2. The newly founded SDS National Movement for Democracy is not equivalent to the SDS coalition, nor is it the coalition's rightful successor, and the BSDP will not participate in it.
3. The BSDP executive bureaus and municipal and regional committees should prepare for participation in the forthcoming National Assembly and local authority elections on a coalition or independent ticket.
4. As a party in the political center of Bulgaria, the BSDP is ready to cooperate with other democratic parties and organizations on the basis of the following principles: —Drafting a common political election campaign platform aimed at replacing the totalitarian communist system in defense of Bulgarian citizens' interests. —Taking into account the programs and statute documents of the individual parties and organizations. —Pluralism of opinions and consensus in reaching decisions. —A proportional electoral system and a uniform election ticket, drawn up by agreement and proposed from the grass roots upwards.

The meeting also approved by vote two declarations: on the situation in the SFRY and on freedom of speech. The second declaration protests against the decision of the Grand National Assembly of 17 June, which was aimed at restricting the creative freedom of radio and television journalists. The BSDP National Committee proposed that the BSDP parliamentary group should insist that the Grand National Assembly annul this decision.

At a regular meeting held on 29 June, the BSDP Central Control-Auditing Commission examined the municipal organizations' organizational state and activities. The activities of the Krustyu Pastukhov Club were analyzed. Because of increasing cases of dual party membership (of the BSDP and another political organization), the Central Control-Auditing Commission drew the attention of the local control-auditing commissions to this problem. The latter are to adopt a decision under Article 4 of the statute now in force, which prohibits dual membership.

Green Liberals Form Party, Attack Green Leaders

AU0607184191 Sofia BTA in English 1815 GMT
6 Jul 91

[Text] Sofia, July 6 (BTA)—The newly-founded Green Liberals' Party comprises members of the Green Liberals' Clubs, former members of the Green Party and supporters, reads a message received in the BTA. The founders of the party say that they created it because they failed to change the Green Party from within. "The conduct of the Green Party's political leadership and parliamentary faction convinced us that this party is headed for collaboration with the Communists and that its leaders belong to the post-totalitarian *nomenklatura*," it is said in the message.

The new party's goal is to "clear Bulgarian society from the remnants of communism through implementing the ideas of liberalism." The party supports the National Coordinating Council of the Union of Democratic Forces (SDS). It will work for the cause of the SDS—National Movement and will support its candidates in the forthcoming elections.

Doncho Ivanov on Resignation as Podkrepa Official

AU0607172991 Sofia TRUD in Bulgarian 2 Jul 91 p 2

[Interview with Doncho Ivanov, former deputy chairman of the Podkrepa Labor Confederation, by Sonya Gulubarova; place and date not given: "I Will Not Say"]

[Text] "I will not say." That was how Doncho Ivanov replied to my question asking under what circumstances he would change his resignation decision.

[Gulubarova] Why are you leaving Podkrepa?

[Ivanov] I made Podkrepa, I made the DEMOKRATSIYA newspaper. I helped many people, saw many things. I have been relieved of many things, and I feel exhausted.... The Executive Council of the Podkrepa Labor Confederation did not accept my resignation and recommended that I reconsider my decision. I have no reason to do so, but, nonetheless, anything may happen....

[Gulubarova] Under what circumstances will you reconsider?

[Ivanov] I will not tell you because you have hit upon the sensitive spot.

[Gulubarova] All the same, your resignation has not been accepted, has it?

[Ivanov] I am a free man and can make my own decisions. Podkrepa cannot force me.

[Gulubarova] Are you not disturbed by the fact that your resignation follows Dr. Krustev's, and that, out of all the members of the Executive Council elected at the congress, only Dr. Trenchev and Oleg Chulev remain. Other members have been co-opted—a trick from the old days of rule by directive. People are saying that you have quarreled with Dr. Trenchev and that he is ridding himself of awkward people...and, what is more, of those who, during his absence, found a common language of communication with the Confederation of Independent Trade Unions in Bulgaria and the government in the Trilateral Commission for Coordinating Interests.

[Ivanov] Konstantin Trenchev and I have had no disagreements. Quite the contrary, I was one of the people who did not want Podkrepa to resume participation in the Trilateral Commission. Let Dr. Trenchev explain the two successive resignations. He has a wider view of everything. I simply want to withdraw, to finish my dissertation as a research student of the Journalistic Faculty, and to deal with the thousands of problems affecting journalists now. I will also finish my work on the various labor conflicts in the country. It is completely untrue that I am leaving the confederation; after all, I am also chairman of the Podkrepa Journalists Union....

Cooperation Between Hewlett-Packard, Tekhnika

91BA0786B Sofia BULGARSKI BIZNES in Bulgarian
20 May 91 p 1

[Report by Zhivko Stoev: "Hewlett-Packard and Tekhnika Shook Hands"]

[Text] Hewlett-Packard, a company known throughout the world and one of the biggest producers of laser equipment, has opened a Center for Technical Assistance and Services in Sofia. Its representation has been assumed by Tekhnika, a private company whose president is Angel Despotov. For many years, Hewlett-Packard has shown an interest in and has studied Eastern markets. So far, it has established contractual relations

with a number of Bulgarian firms. The strength of that company is that it is able to combine computer equipment with analytical research, medical electronics, communications, testing-measurement equipment in telecommunications, personal computers and software systems, and many other electronic areas that provide solutions in various theoretical and practical areas.

The Hewlett-Packard Center for Technical Assistance and Services will sign contracts with Bulgarian firms for importing goods, advertising, and servicing. The Tekhnika firm was selected as a result of a contest among many companies engaged in similar activities, following preliminary contacts and surprise investigations. Tekhnika was able to prove its reliability as a partner.

Mr. Despotov said that its strength lies not in showing quick profits but in quality. Only high quality is an

investment in the future. The firm offers products of only reputable companies, which is the best guarantee for success.

Despotov also mentioned some difficulties that are encountered constantly by the firm. "It is very difficult to exist with constant reforms. All private firms are kept in the dark concerning the latest resolutions. It is the easiest thing to "chase away" money from the country. This will inevitably happen if we do not change our financial policies. It is very easy to squeeze out a company or to terminate its activities, but who benefits from this? The state becomes the biggest loser."

However, Despotov is an optimist and believes in success because he tries to respond speedily to the demands of the market.

Cooperation Accord With Italy Signed

LD0507175791 Prague Ceskoslovensky Rozhlas Radio
Network in Slovak 2100 GMT 4 Jul 91

[Text] Today at Prague Castle, in the presence of Presidents Vaclav Havel and Francesco Cossiga, Ministers of Foreign Affairs Jiri Dienstbier and Gianni de Michelis signed an agreement on mutual friendly relations and cooperation by the two countries. President Vaclav Havel characterized it as the first of the new bilateral agreements with which Czechoslovakia intends to strengthen its position as an independent democratic state in Europe.

The two ministers also signed an amendment to an intergovernmental agreement on visa questions, according to which, beginning 15 July this year, citizens of both states holding valid passports can stay on the territory of the other country for up to 90 days, instead of 30 days as is the current regulation.

Foreign Ministry Responds to SFRY Protest

LD0507223691 Prague Ceskoslovensky Rozhlas Radio
Network in Czech 2200 GMT 5 Jul 91

[Text] The Federal Foreign Ministry has issued a statement reacting to the stance of the Yugoslav Government on the Czechoslovak Government's statement of 4 July. The statement stresses that Czechoslovakia is operating on the basis of the principle of the right to self-determination. It has not only rejected the actions of the Yugoslav Army but also the escalation of nationalist passions. Czechoslovakia has stressed several times already that the borders of European states cannot be changed unilaterally. It supports a peaceful and democratic solution to the Yugoslav crisis. At the same time, the Federal Foreign Ministry statement stresses that our government's statement does not mean a change in Czechoslovakia's position toward Yugoslavia.

Slovak Christian Party Recognizes Slovenia, Croatia

LD0407160191 Prague CTK in English 1234 GMT
4 Jul 91

[Text] Bratislava July 4 (CTK)—The Slovak Christian Democratic Movement [KDH] today recognized the right of the breakaway Yugoslav Republics of Slovenia and Croatia to self-determination, but said the Yugoslav crisis must be solved peacefully, through constitutional means and negotiations, rather than with force.

KDH Central Secretary Jan Petrik told a press conference that Slovak Premier and KDH Chairman Jan Carnogursky was the only state official in Czechoslovakia to send a congratulatory telegram to Slovene and Croatian leaders on their declarations of independence.

Results of Poll on Popularity of Politicians

AU0407161391 Prague CESKE A
MORAVSKOSLEZSKE ZEMEDEL'SKE NOVINY
in Czech 3 Jul 91 p 1

[Text] Between 30 May and 5 June, the Prague-based Institute for Public Opinion Research conducted a survey on the popularity of politicians. The results of this survey, based on replies by 940 respondents living in the Czech Republic, are shown in the following table:

Vaclav Havel	83 percent
Jiri Dienstbier	76 percent
Vladimir Dlouhy	76 percent
Vaclav Klaus	68 percent
Petr Miller	63 percent
Marian Calfa	57 percent
Petr Pithart	57 percent
Valtr Komarek	53 percent
Dagmar Buresova	48 percent
Pavel Rychetsky	44 percent
Frantisek Miklosko	43 percent
Lubos Dobrovsky	40 percent
Zdenek Jicinsky	37 percent
Alexander Dubcek	35 percent
Jozef Kucerak	35 percent
Fedor Gal	30 percent
Jan Langos	26 percent
Miroslav Sladek	26 percent
Vladimir Meciar	25 percent
Jan Carnogursky	22 percent
Milan Knazko	8 percent

Restitution Law May in Future Include Expatriates

LD0707162791 Prague CTK in English 1506 GMT
7 Jul 91

[Text] Prague July 7 (CTK)—Czech Premier Petr Pithart indicated after return from Canada today that Czechoslovak laws on the restitution of property may be amended at some point in future to suit better Czechs and Slovaks living permanently abroad.

He said compatriots in Canada expressed to him discontent that they are not eligible for the return of property confiscated by the Communist government between 1948 and 1989. He admitted that certain "injustice does occur and I expect that one day we will return to this legislation and will perhaps make some amendments."

Under laws approved by the Federal Assembly earlier this year only Czechoslovak citizens resident permanently in Czechoslovakia are entitled to apply for the

return of or compensation for businesses and real estate seized from them or their ancestors in or after 1948.

Pithart said during his five-day visit he held talks with representatives of leading Canadian companies and noted that the agreement reached with Czech-born shoe industry magnate Tomas Bata Jr. was a "strong signal which showed to Canada that business can be done in Czechoslovakia." (The Bata Czechoslovakia company, composed of a network of sales outlets and several plants, is to be set up in accordance with this contract signed last May. The joint-stock company will be initially owned by the Czechoslovak state and within large-scale privatization now being prepared, all of the shares will be sold eventually to Bata Czechoslovakia.)

Pithart held talks with Canadian and Quebec officials during the visit. "We realized that the way to North America is via Canada and the way to Canada is via Quebec," he told journalists at the airport.

He characterized Quebec as "European civilization with American technology" and said this is apparently the reason for the tremendous interest in Czechoslovakia that exists in this part of Canada, "primarily in the possibility of entering the process of our economic transformation."

Pithart said an important point was the signing of an agreement between the governments of the Czech Republic and Quebec. In the first phase of its implementation a trade and cultural centre will be opened in Prague probably by the end of this year, Pithart said.

Slovaks Less Optimistic Than Czechs on Development

*AU0307115391 Bratislava NARODNA OBRODA
in Slovak 2 Jul 91 p 2*

[Report by "(NO-bl)": "A More Pessimistic Slovakia"]

[Text] Prague—The Institute for Public Opinion Research in Prague handed us a report yesterday on a poll conducted about citizens' satisfaction with development following November 1989 and their expectations from development in the next two years. The poll was conducted at the beginning of June and involved a representative cross section of 940 CSFR citizens over the age of 15 years.

From the point of view of satisfaction and expectations, the precedence of individual spheres in both republics is virtually the same. However, there are considerable differences in the percentages expressed; in some spheres the proportion of satisfied citizens polled in Slovakia barely amounts to half the proportion of satisfied Czech and Moravian citizens. Expressions of satisfaction—in comparison with dissatisfaction—were more frequent only regarding development in foreign policy; however, this was just on a nationwide scale, because there is a ratio of 37:57 in favor of the dissatisfied in the Slovak Republic. In the other spheres analyzed, dissatisfaction prevails among the respondents. This attitude is expressed most of all concerning our standard of living (80 percent in the Czech Republic; 92 percent in the Slovak Republic) and the economy and social security (72 percent in the Czech Republic; 89 percent in the Slovak Republic). A little more than half the respondents in both republics are dissatisfied with development in culture. Eighteen percent of respondents in the Czech Republic are satisfied with development in our standard of living, but only 7 percent of respondents in the Slovak Republic are satisfied with it.

There is also equal precedence in expectations from development in the next two years. In comparison with the previous poll conducted in April, the number of optimists has increased in all spheres with the exception of foreign and domestic policy. However, as the institute states in its report, the increase in the proportion of optimists occurs almost exclusively among Czech Republic citizens. Expectations have not changed significantly in Slovakia but, in the case of foreign policy, they have worsened.

Foreign Investors Tax Preference Revoked

91CH0683B Budapest MAGYAR KOZLONY
in Hungarian No 27, 8 Mar 91 p 633

["Text" of law passed by the National Assembly amending Law No. 24 of 1988 concerning foreign investments]

[Text]

Law No. 6 of 1991*

Paragraph 1

Paragraph 14 Section (2) of Law No. 24 of 1988 concerning foreign investments in Hungary, as further defined in Paragraph 26 Section (1) Subsection (a) of Law No. 44 of 1989, which amended Law No. 9 of 1989 concerning entrepreneurial profit taxes, is hereby repealed.

Paragraph 2

This law shall take effect on the date it is proclaimed.

[Signed] Arpad Goncz, president of the Republic
Gyorgy Szabad, president of the National Assembly

* The National Assembly adopted this law at its 26 February 1991 session.

Legislative Intent

The proposal would change the law concerning foreign investments in Hungary so as to provide for the payment of taxes pursuant to the general tax rates defined in the law concerning entrepreneurial profit taxes, thus ensuring that identical entrepreneurial groups pay profit taxes at an identical rate.

Bill Submitted for USSR Troop Damage

LD0507082691 Budapest Radio in Hungarian
1325 GMT 4 Jul 91

[Remarks by Justice Minister Istvan Balsai at the National Assembly afternoon session in Budapest on 4 July, regarding legislation to allow courts to handle compensation claims lodged by Hungarians for damage caused by Soviet troops while stationed in country—broadcast live]

[Excerpts] "Esteemed National Assembly, now follows the bill on the enforcement of claims, through courts, for compensation for damage caused by the Soviet troops temporarily stationed on the territory of the Republic of Hungary, or by people in their ranks. We shall use urgent and exceptional procedures when discussing it. [passage omitted] I present to you Dr. Istvan Balsai, minister of justice, who will submit the bill."

"Esteemed Mr. Chairman, Esteemed National Assembly. With the proposal, which is very brief but constitutes an important legal modification, we intend to replace a [word indistinct] legal regulation left up to the

Presidential Council. What is at issue is a solution which would replace an institution which seriously violates the Constitution and was proclaimed by means of the law-decree No. 54 of 1957. It is generally known, I do not have to outline in detail what this law-decree at issue says. It says that in connection with compensation for the damage caused by the Soviet military personnel on Hungarian territory to anyone, whether or not they are Hungarian citizens, there is no possibility to assert compensation claims through the normal legal path, by means of courts. Rather, the channel for this is a mixed committee, with Soviet and Hungarian participation, which must handle this as a sort of affair which is arranged in a manner which rules out legal redress, publicity, and directness. As a consequence, it lacks the basic minimum of legal enforcement practice, which is normal when judgment is made on compensation issues.

"The constitutional court, by means of a decision made in December last year, legally and correctly points out that this unconstitutional situation must be eliminated, and it calls on the government and the minister of defense to propose a high-level regulation, that is a law, so that this situation can be regulated in accordance with a constitutional solution. It is all the more timely to enact the legislation, since on 30 June this certain mixed committee formally concluded its operation, because there was no reason for the mixed committee to function. At the same time, there are affairs in which judgment has not been made or in which action is being taken. In this sphere, the current state of the legal situation justifies the other sort of legal regulation. Of course, the main reason is that the National Assembly must eliminate the unconstitutional practice and legal institution in a satisfactory and regulated manner.

"The bill very concisely regulates the validity of this regarding people and objects; all those entitled to compensation, citizens, and not only citizens, whose claim was in part or in full rejected, whether from the viewpoint of legal grounds or amounts, or who for excusable reasons were unable to appeal to the committee. Moreover, those who would be entitled to compensation according to the normal rules of civil law, and naturally according to the rules regarding legal enforcement before courts. With regard to this, I ask you to adopt the bill. Thank you for your attention. [passage omitted]

SZDSZ Holds News Conference on SFRY Crisis

LD0507180491 Budapest MTI in English 1511 GMT
5 Jul 91

[Text] Budapest, 5 July (MTI)—During the Friday press conference of the Alliance of Free Democrats (SZDSZ) in Budapest, Istvan Szent-Ivanyi, secretary of parliament's foreign affairs committee, laid forth the party's position on the Yugoslavian situation, according to which the endeavours of Slovenia and Croatia towards independence are legitimate and reflect the freely expressed will of the people. The management of the crisis is a Yugoslavian domestic affair. The member

republics should reach a negotiated settlement. The SZDSZ is pleased to note that the latest developments are pointing in the direction of normalization.

Asked by MTI's correspondent whether the Yugoslavian crisis—in a broader sense the breakup of the world order established by Yalta—brings into question, in the SZDSZ's view, the basic principles of the inviolability of European borders, a view that has also been aired by influential Western press organs in their recent articles, Istan Szent-Istvan replied.

The basic principles of Helsinki have not lost their validity, given that the main point is the abandonment of the intention to alter borders by force. The latest European border modification, i.e., the merger of the Federal Republic of Germany with the German Democratic Republic, is an example of the voluntary manifestation of the common will.

On this score, SZDSZ President Janos Kis warned that with regard to Yugoslavia, internal federative borders are at issue. At the same time, a dangerous situation would arise if the idea of rectifying the external frontiers of the southern Slavic country were to take root. In view of this, the SZDSZ proposed that neighboring countries should declare they were not going to use the Yugoslavian crisis to their own advantage.

Amnesty Relative to October 1990 Taxi Strike

91CH0683A Budapest MAGYAR KOZLONY
in Hungarian No 23, 1 Mar 91 p 584

["Text" of law passed by the National Assembly
amending Law No. 5 of 1991 concerning amnesty]

[Text]

Law No. 5 of 1991 Concerning Amnesty*

The National Assembly grants general amnesty pursuant to the following:

Paragraph 1

No criminal proceeding shall be initiated or conducted for reasons of (a) coercion (Criminal Code of Laws [BTK] Paragraph 174), (b) violating personal liberty (BTK Paragraph 175), (c) committing a crime against the security of transportation (BTK Paragraph 184 Section (1)), (d) disturbing the operations of a public service plant (BTK Paragraph 260), (e) inciting against laws or orders issued by authorities (BTK Paragraph 268), and (f) failing to perform the action required by a superior in conjunction with the blockading of roads between 25 and 28 October 1990, which paralyzed the country.

Paragraph 2

No criminal proceeding shall be initiated or conducted against persons impeded between 25 and 28 October 1990 by the road blockades who committed crimes punishable by not more than five years in prison.

Paragraph 3

The punishment of persons convicted on the basis of an affirmed judgment of a court prior to the effective date of this law for crimes enumerated under Paragraphs 1 and 2 which are subjects of the general amnesty shall be exempt from serving their punishment and shall not suffer disadvantages which flow from having a criminal record.

Paragraph 4

The general amnesty shall also extend to cover rule violations committed relative to the events defined in Paragraph 1.

Paragraph 5

The general amnesty shall extend to the confiscation of implements used in the commission of crimes enumerated in this law. (BTK Paragraph 77 Section (1) Subsection (a)).

Paragraph 6

The amnesty shall lose force in regard to persons who within five years from the effective date of this law are sentenced to prison for an intentionally committed criminal act.

Paragraph 7

Criminal proceedings discontinued on the basis of Paragraphs 1-2 shall be continued if the defendant so requests within eight days from communicating a determination concerning the discontinuation of the proceeding.

Paragraph 8

This law shall take effect on the date it is proclaimed.

[Signed] Arpad Goncz, president of the Republic
Gyorgy Szabad, president of the National Assembly

* The National Assembly adopted this law at its 19 February 1991 session.

Legislative Intent

To the Law Concerning the Grant of General Amnesty

A protest erupted in Hungary between 25 and 28 October 1990 in response to cabinet action raising the prices of motor fuels. In the course of this process road barricades were erected which paralyzed the country. Participants in this action satisfied the factual criteria of several criminal acts.

The cabinet and authorities obligated to take steps relative to these events endeavored to prevent the broadening of conflict and to peacefully resolve the conflict. In the course of such action certain contradictory measures and manifestations became known which were suited to mislead the participants in the events regarding the extent to which their conduct was legal or illegal. In the final phase of the conflict the cabinet, employees and

employers negotiated regarding a peaceful solution. These endeavors were also characterized by contradictions, because on the one hand they aimed for restoring order in the country on the following work day and for establishing conditions for the performance of work, while on the other hand certain opinions were expressed in the course of negotiations to the effect that the blockade be maintained until an agreement was reached.

All of these circumstances do not change the fact that a significant number of persons participating in these events committed the crimes enumerated in Paragraph 1 of this law. The National Assembly regards the free exercise of the right to assemble as guaranteed by the Constitution, as having fundamental significance in the democratic constitutional state. However, the exercise of this right must never infringe upon the liberty of others or violate the rights of others, and must not constitute a criminal act or a call to commit a criminal act.

Late last October, the young Hungarian democracy was tested for the first time regarding the practical interpretation of the right to assemble. In a constitutional state, the fact of having violated a law must be established, and those who violated the law must be held accountable. Nevertheless the National Assembly is entitled to exercise the authority of granting general amnesty.

In the interest of ensuring the performance of difficult tasks which face the country, the National Assembly decided to grant general amnesty in regard to those who committed the crimes enumerated in Paragraph 1.

Let this general amnesty law be also a warning to all of those who value the fact that Hungary is an independent, democratic constitutional state, and also to those not deterred from using illegal means in order to enforce their perceived interests.

Securing legal order is in the interest of society as a whole.

Complex View of Economic Crisis Detailed

91CH0687A Budapest FIGYELO in Hungarian
6 Jun 91 p 3

[Article by Ivan Szegvari: "Crisis Situation—Counted in Dollars"]

[Text] The Soviet Union would most certainly have changed over to dollar-based settlement even if we had not recommended that it do so. The only question is why we had to rush this matter, thus surrendering a more favorable position from which we could have negotiated together with the rest of the small CEMA countries.

The fact that Hungarian Government and expert delegations, banking, and enterprise representatives alternate in travelling to Moscow and throughout the Soviet Union—urging some mechanism by which the exchange of money could be avoided—well indicates even on a retroactive basis how unjustified the hopes pinned to a

transition to dollar-based settlement were. The same may be seen in the fact that everyone worries about the size of the fraction of our dollar payments that Soviet central organs are willing to spend on purchasing Hungarian goods, their promises to lower the barriers to barter trade, and the fate of our ruble receivables, which in theory have been converted into dollars.

The Decisive Reason

The bankruptcy that beset Hungarian-Soviet economic relations is not only a problem related to the mechanism. The decisive reasons for this bankruptcy are the general crises of the Soviet economy and Soviet commercial attitudes manifested toward East Europe, and within that, toward Hungary. The Soviet Union is trying to improve, or at least maintain within manageable limits its Western balance of payments which has been shaken in its foundation. It does so by using foreign exchange collected in East Europe. We should know this, because we have gained ample experience regarding the functioning of economic policies concerned merely with maintaining solvency.

And we must add to this that in the case of the Soviet Union, we are dealing with a great power burdened with internal political conflicts and which wrestles with the threat of falling apart, a great power which has been "offended" by East Europe in several respects. Under the given circumstances it is no coincidence that while in the first quarter of 1991 Soviet exports to East Europe amounted to about \$2 billion, imports originating from the Soviet Union and subject to settlement in dollars amounted to only one-quarter of that amount. If these ratios continue to prevail, and if we take into consideration the fact that the Soviet Union is redirecting to the West part of its previous exports destined to East Europe, the Soviet Union could realize a foreign exchange surplus of between \$8 billion and \$10 billion.

The actual question is whether the Soviet Union is capable of, and willing to surrender this source of foreign exchange. It would hardly do so of its own volition or in response to our request. Even more so, because the given attitude toward trade provides certain benefits to the Soviet Union, in addition to acquiring foreign exchange. On the one hand, the East European trade situation intentionally or unintentionally represents a "preview" of things to happen to Soviet republics striving to secede. On the other hand, as a result of this situation, the Soviet Union is able to significantly tap aid and more favorable external financing sources presently enjoyed by the rest of the East European countries. At the same time, the Soviet Union is able to convincingly prove that there will be no economic and political stability in East Europe as a whole unless the Soviet Union receives massive aid from the West. Third, under the given circumstances, East European countries are under great pressure to export on credit, due to fear of a large scale recession and unemployment.

Accordingly, the situation is not one in which the dollar-based settlement system struggles only with temporary technical and functional disorders. Moreover, viewed from the Soviet side, the system has functioned very well. For this reason, I am unable to understand the stated logic according to which maintaining the present mechanism is not in the interest of the Soviet Union, nor can I comprehend the argument which holds that our concerns implicit in our Soviet relations are independent from the transition to dollar-based settlement.

The rules of dollar-based settlement provide the best possible framework and condition for coarse Soviet endeavors to attract resources and to gather foreign exchange. To this date, the Soviet side has rejected all proposals for the development of various clearing arrangements, and rendered inoperative its clearing agreements with Czechoslovakia and Bulgaria as well as the quasi-clearing arrangements based on indicative lists of goods. It did so not on the basis of some market considerations or for aesthetic reasons. By no coincidence did the Soviet Union reduce barter transactions to a minimum and render impossible the maintenance of direct relations with the republics. Debt service obligations amounting to 40 percent of the export revenues would not make much sense either in mechanisms other than those using free foreign exchange. All these factors are manifestations of one and the same logic and strategy within the mechanism.

For What We Fought

There is yet another context in which the drastic drop in Hungarian exports to the Soviet Union is related to the rules of dollar-based settlement. A competitive situation identical to that of Western firms—another matter we have been fighting for—is a basic situation which places Hungarian exporters at a disadvantage from the outset.

The effects of the Soviet economic crisis and of the transition to dollar-based settlement appear hopelessly intertwined and mutually reinforce each other. In any event, real life largely contradicted preliminary expectations in this field. Moreover, it did so in a dual sense. On the one hand, the rearrangement of Hungarian-Soviet trade, and the macroeconomic burden that may be expected as a result substantially exceed even the most pessimistic expert estimates which were regarded as scare stories earlier. On the other hand, the Hungarian economy reacted surprisingly favorably to the reduced trade volume in 1990, and realized a market switch of unexpected proportions toward the West, and within that, toward the markets of developed countries. The fact that not only the 1990 balance of payments, but also the first five months' balance of payments in 1991 closed with a surplus presented an even greater surprise. This took place despite the fact that one of the greatest concerns centered around the way in which the balance of payments would evolve in response to the Soviet market shocks.

What is behind this obvious paradox? Above all, the fact that the lion share of shock waves emanating from the collapse of Eastern trade have not even reached yet the Hungarian economy. Moreover, with the market switch and production decline that took place in the meantime, we have not yet really "gotten over" the effects exerted thus far. We much rather offset a substantial part of unfavorable market effects not with real adaptation, but with other methods which amount to the postponement of the problem.

One variation of this approach is reflected in the about 1-billion-ruble export surplus which began to flow to the Soviet Union in the second half of 1990 and which continues in these days. This essentially represents an uncertain lending of resources. Another "solution" which substitutes for adaptation is the several hundred millions of dollars worth of inventory buildup of products which have lost their markets. Other manifestations of the temporary "relaxation" of structural tensions which in part feed on the previously mentioned approaches is the increased mutual indebtedness of enterprises, or in a broader sense, the concealment of losses within the mechanism as a whole.

These peculiar reactions, as well as the state administrative organs involved in these phenomena could, and indeed must be condemned of course, but it is necessary to add here that in the absence of these "solutions," we would have witnessed a substantially greater decline in production and a far greater increase in unemployment.

Accordingly, the fact that we have gotten away with experiencing relatively small macroeconomic shocks in response to the external market impacts thus far is true only if we take note of what was said above. Thus, I do not find as really convincing the argument which holds that in 1990 the ratio of our CEMA market, and within that, the Soviet market has been reduced sufficiently, and that the switching of markets has been accomplished to such degree that a further decline in trade can no longer exert shock effects.

Recession!

First, as we could see, the economy was able to digest only part of the earlier market rearrangements. Second, market shares reflected in (last year's) official transferable ruble/dollar exchange rate are highly distorted. In terms of volume, our linkage to the CEMA or Soviet market remained much stronger than what is shown by ratios based on exchange rates. Third, it would be a mistake to mechanically project market switching processes that took place thus far. One should add here that even market switching represents a lasting solution only if, and only to the extent that it is coupled with appropriate structural and efficiency characteristics.

The perspective of the annual 50 to 70-percent decline in Soviet exports subject to settlement in dollars, together with other destabilizing factors emerges within this specific set of conditions. This development, which was not expected by anyone to take place at least insofar as its

extent was concerned, significantly rearranged the structure of macroeconomic consequences that were originally expected to take place as a result of transition to dollar-based settlement. The decisive consequence of these shocks is recession, a 5 to 10-percent decline in the officially estimated GNP (already produced), as a function of the extent to which exports declined.

The extent of the anticipated recession itself raises some disturbing questions. Where are the threshold values of recession in the Hungarian economy (and do we exceed these in 1991), beyond which a further decline in production turns into a self feeding, cumulative process, from which point on a reduction in domestic consumption reaches the barriers of social and political tolerance, after which the resources needed for changing markets and the structure decline to a hopeless level? Although it is impossible to accurately fathom these threshold values in advance, it would by all means be useful to avoid reaching them.

A deeper than expected recession will not relieve the other unfavorable macroeconomic effects, of course. Although such recession would directly reduce the extent of potential balance of payment losses, it would strengthen the growth of budgetary deficits and inflation, as well as factors which encourage the relaxation of financial discipline. The mutual indebtedness of enterprises and the aggregate amount of questionable bank loans would suddenly increase, and the assets of enterprises which lost their markets would greatly depreciate. The macroeconomic conditions which developed in this way would also deteriorate the chances of accelerating privatization and of permitting efficient enterprises and the private sector to develop.

All in all, the drastic shrinkage of Soviet and East European trade threatens in their foundations both Hungarian stabilization and the transition to the market economy. I do not believe that it is possible to neutralize this threat by only being optimistic.

Who Will Take Away the....

The cabinet, and indirectly the political sphere are faced with an incredibly difficult series of decisions. I admit that I do not have ready-made prescriptions which would require no more than consistent implementation. But I am certain about two matters. The tasks are far more complex than to permit us to deal with them in a simplistic way by limiting our thoughts and recommendations to "out with the state, in with the market" and "move out from the East, move in to the West." Second, the decisionmakers, and not the advising experts and researchers, must assume responsibility for the decisions and their consequences.

In addition to preparing itself for crisis management, the cabinet should also do everything possible to maintain the evolving crisis situation in a manageable framework. To accomplish this, we must also negotiate with, and

make initiatives to the Soviet side at all levels of decisionmaking, constantly seeking solvent partners prepared to establish new cooperative relations, new forms for maintaining relations, and new mechanisms which ameliorate the collapse of trade. It is unlikely that these efforts will produce a resounding success. It would be appropriate to have grave reservations about promises made by the Soviet side which appear to be coming forth as if they had been scheduled (for the opening of large amount letters of credit, the liberalization of barter relations, etc.).

A more serious chance for changing this situation could flow from a situation in which the Soviet Union received significant Western aid in the near future. Such aid would tend to normalize internal East European relations in several contexts (by reducing the Soviet balance of payments tensions, through new solutions in the mechanism, etc.). However, one must not build illusions on the basis of this possible scenario either.

Directly affected business organizations also have significant functions to perform in relieving the crisis situation. By taking advantage of various opportunities offered, enterprises and banks could find a number of back door approaches to solvent markets under their own authority, and at their own risk. Such opportunities include exceptions from under the prohibition to conduct barter trade, the joint enterprise form of operation, banking relationships, national and local markets, the linking of national currencies, the use of Western middlemen, participation in Western projects, etc. There is only one thing they definitely must not do: They must not export without having appropriate assurances that payment will be made. One must recognize that efforts made by economic diplomacy and by enterprises could at best only reduce the decline in trade, and could result only in better chances of being able to manage the crisis, and not in avoiding the crisis situation.

One of the central functions of crisis management will be to liquidate structures and large organizations which have lost their markets in the long term, and which were unable to switch markets efficiently. This cannot be accomplished without the active involvement of the state, in part because of the direct economic policy impact and consequences of such liquidation, and in part because short-term losses resulting from such liquidation significantly burden the state budget. I regard it as inconceivable not to involve the state in managing crisis effects which will necessarily exert ripple effects on the banking sphere.

Downscaling the old structures will involve a painful process expected to evoke no small social resistance. The strength needed to this process should flow from an awareness of the fact that liquidation of the traditional centers of structural crisis, doing away with loss centers which also greatly distort market mechanism would have been unavoidable even if the Soviet market had not collapsed; and of an awareness that sooner or later, the

renewing Soviet market will demand other products, different organizational forms and relationships, as well as different mechanisms.

Details of Industrial Policy Described

91CH0685D Budapest FIGYELO in Hungarian
23 May 91 p 8

[Unattributed article: "Industry and Politics in 1991-94"]

[Text] The Ministry of Industry and Commerce has completed its industrial and commercial concept statement. We have summarized below the industrial part of the statement, with the intent of initiating debate.

The IKM [Ministry of Industry and Commerce] exercises ownership or branch supervisory authority over about 70 percent of all industrial units. The IKM developed its industrial and commercial concept consistent with the spirit of the cabinet program and with the needs of those involved in the economy.

Development of the framework and institutions of a competitive economy, and the management of crises which accompany structural transformation will continue in 1991 and 1992. The IKM's 1993-94 functions are determined by the need to adapt to the unified European market.

The prospects of the industrial branches analyzed vary greatly. In the energy production, base materials and processing industries, as well as in the construction industry the value of production and employment levels are expected to continue to decline in 1991-92.

During the period 1991-94 the primary fields in which the IKM intends to play a catalyzing role are as follows.

In the interest of modernizing the economy the IKM will encourage the changing of product structure and of markets. How? Relative to industries short of capital but capable of innovation (e.g. the pharmaceutical, food, and confection industries) the IKM will propagate production and market related systems of rules that are consistent with EC practices.

Part of the enterprises, including some within industry branches destined to be counter developed, are capable of surviving if they receive assistance for a limited time in the form of measures protective of industry. In these enterprises settlement of the ownership situation, the attraction of foreign operating capital, and in other instances, cofinancing (with the establishment of state or mixed holding corporations) lend themselves as solutions. In certain cases individual benefits may also be provided.

Regarding the dynamic branches the IKM supports state as well as domestic and foreign private investments. (This support manifests itself in e.g. changing the amortization system, the grant of tax benefits on investments,

the provision of preferential credit terms and the extension of international investment protection.

Industrial Policy

Changing the ownership structure, encouraging the stimulation of enterprising and guiding the flow of domestic and foreign operating capital is, to at least a significant extent, a governmental function in every industry branch. But the ministry which performs the supervisory function does not have all the means available to accomplish this [as published].

The industrial concept assigns high priority to the crisis branches, and to branches which lost their markets. Within that, the industrial concept states, for example, that in the iron foundry industry organizational counter development coupled with governmental crisis management measures is needed on the one hand, while hot and cold plastic deformation must be modernized within the remaining vertical integration, on the other. Interest in privatizing certain parts of enterprises has been expressed by West European firms, but one must avoid expanding capacities.

The structure of the Hungarian aluminum industry cannot be transformed either by using only the resources available to the related group of enterprises. The gradual and organized counter development of technologies built on one another is an essential element of the streamlined development and counterdevelopment of the aluminum foundry industry. The present volume of aluminum oxide production can only be maintained as long as there is solvent domestic and foreign demand. A program must be developed in 1992 and 1993 for reducing and terminating production in the three Hungarian aluminum oxide manufacturing plants.

Relative to the building materials industry the industrial policy goal is to make manufacturing responsive to domestic demand. Along with this, the export potential of the fine ceramics and glass industries must be expanded. The crisis can be alleviated only as a result of reorganizing the trusts and monopolistic enterprises. Mineral wealth, the environment, and traditional trade names must be protected in the course of privatizing the building materials industry.

The machine industry is one of the most oversized branches of the Hungarian economy, at the same time, however, its contribution to production is significant.

A significant transformation of capacities developed for the CEMA markets is required in the public road vehicle industry. Structural transformation will be accompanied by significant losses, and will affect several hundred subcontractors in addition to the three leading larger enterprises (Raba, Csepel Auto, and Ikarus). As a result of switching markets, the state of the art of complete buses is expected to improve, but the ratio of bus manufacturing as compared to total production will be more moderate. At the same time parts manufacturing will increase significantly.

Expanding the production of food industry machinery may become the main direction in which the machine industry is transformed into a structure having healthier dimensions.

Electronic and fine mechanics industry enterprises must surrender the idea of manufacturing finished products exclusively, which is the policy they have followed thus far. They must endeavor to become subcontractors to leading foreign enterprises by manufacturing parts and components.

Substantial transformation of the military technology manufacturing structure is expected to exert favorable effects on Hungarian electronics manufacturing practices and on public road vehicle manufacturing. One may expect to see an increase in the ratio of Hungarian products used by the armed forces, thus increasing Hungarian defense production. The fact that the possibility of establishing joint enterprises and attracting private enterprises to take part in defense production has not been ruled out reflects a new outlook.

In the chemical industry the goal of industrial policy is to develop competitive products for exports. The foreign trade surplus may be increased and the choice of goods on the domestic market may be improved as a result. More advanced stages of processing (primarily as a result of developing the petrochemical vertical integration) and the manufacture of products which require small financial contribution and little energy, but large intellectual investments has been a strategic trend for a long time.

The manufacture of petrochemicals and pharmaceuticals within the chemical industry were the two areas which did not substantially fall behind global state of the art levels. Our competitive position can be maintained in these fields. Foreign capital influx is already in progress regarding the synthetics processing industry, and the structure will be modernized as a result of establishing smaller joint enterprises.

The market positions of the clothing industry (textile industry, textile clothing industry, leather, fur, and shoe industries) are deteriorating. Foreign capital is indispensable in order to slow down the decline, and to preserve the viable parts of these industries. Internal corporate development is at an advanced stage in many enterprises, in this regard concluding the transformation at the earliest possible date may be regarded as a governmental function. The privatization process does not require any other intervention.

Energy Policy

The basic strategic elements of energy policy are: increasing the efficiency of energy consumption; attracting foreign capital; implementing flexible developmental programs which may be adjusted to changing conditions; increasing the security of supplies by moderating the one-sidedness of import dependence; and further, strengthening the enforcement of environmental requirements and expectations. And last but not least,

ascertaining the existence of far reaching openness in preparing for, and making decisions.

Conservation is the most important future pillar of energy policy. The chief economic means by which energy conservation may be encouraged are the pricing and tariff systems, as well as tax and credit policies.

A decision must be made concerning the establishment of a new basic power plant (alternatively about not establishing such a plant). This decision must not be made on the basis of hard to predict requirements, but on grounds of risk reduction and pursuant to the intent of operating capital to temporarily accept the burden, and by accepting the consequences in case of a negative decision.

The problem cluster implicit in coal mining and in the hydroelectric power plant must be settled (should be settled at last?!—the editor) [as published]. Transformation of the energy related trusts will be complete by the end of 1992. Within the electrical and carbohydrate industries, in areas of strategic importance, the maintenance of state majority ownership is warranted. Meanwhile, there will be ample room for privatization in other areas of this branch of industry.

Construction Industry

Since construction activities constitute the classic field for entrepreneurial capital investment, the preponderance of state ownership must be discontinued. As a result of further organizational decentralization, privatization and the termination of monopolies, domestic construction, and assembly [functions] may be transferred in the medium term to firms with mixed (foreign) capital. This will help the Hungarian construction industry to take part in ventures within the integrated European market (not only to export labor) and to profit as a result.

The introduction of certain construction (prefabrication) systems and technologies, and building material and structural manufacturing processes may be anticipated. These will be capable of satisfying at a higher level of quality and in a flexible manner the highly polarized demand presented by individuals and communities. This is conditioned by acquiring developed management and organizational concepts as soon as possible, and to apply efficient production management skills and modern information systems.

After establishing a supply-side market in housing construction and maintenance, the entrepreneurial construction industry should relieve the burden carried by do-it-yourself constructors. This can be accomplished as a result of a higher-than-present level of organization, with entrepreneurial preparedness and by providing guarantees.

Regarding the above described general and per industry economic policy schedule, one could say that crisis phenomena will continue to deepen in the real sphere in

1991; but the development of institutional and regulatory systems needed for evolution will accelerate. As a result of regional crises and crises in individual industry branches, increased social tensions and a further decline in Hungarian and East European demand presents the greatest challenge.

Program

Even if at a slower pace, the value of production and employment will decline in the energy, base materials, processing and construction industries. At the same time, in a manner similar to 1991, the small entrepreneurial sector will develop in dynamic proportions, the transformation of the economic structure will accelerate, including the structure of ownership and activities. Full liberalization of foreign trade will be accomplished and the agreement of association with the European Community will result in a qualitative change. Development of the market economy's institutional system will be complete. A modern network for technological development and research will be established.

Consistent with the provisions contained in the cabinet program, economic growth will begin in 1993 and 1994 as a result of quantitative and qualitative changes in the real economic sphere.

During the first half of the period the state must play a direct role in the following areas: The state must actively participate in the privatization process; in the management of regional crises and crises in individual branches of industry; in stimulating enterprising; in the development of a milieu friendly to enterprising; in innovation; and in stimulating technological development policies.

GROSS PRODUCTION VALUE (in billions of forints)

Branch	1990 actual	1991	1992	1993	1994
Energy sector	158.8	147	138	130	123
Base material manufacturing	133.6	123	110	105	105
Processing industry	748.0	690	680	700	732
Total	1040.4	960	928	935	960
Construction Industry	123.4	107	102	102	104

NUMBER OF EMPLOYED (thousands of persons)

Branch	1990 actual	1991	1992	1993	1994
Energy sector	121.2	90	87	82	80
Base material manufacturing	119.0	80	73	65	65
Processing industry	776.4	600	590	583	555
Total	1016.0	770	750	730	700
Construction Industry	220.0	198	184	182	182

DOMESTIC SALES (billions of forints)

	1990	1991	1992	1993	1994
Industry	715	702	670	625	620
Construction industry	150	135	120	120	120

EXPORTS (billions of forints)

	1990	1991	1992	1993	1994
Industry	305	250	260	290	325
Construction industry	10	10	10	10	10

Call for Coalition of Post-Solidarity Forces

91EP0564B Warsaw ZYCIE WARSZAWY in Polish
11 Jun 91 p 3

[Editorial by Marek Zielinski: "This Won't Happen Again"]

[Text] Before our eyes the society's love affair with the Solidarity camp is ending. The huge capital of popular support with which Solidarity entered the elections of June 1989 was squandered last year, and what remained was divided among the heirs. This may not be so awful considering that mightier social movements have exited from the scene when their very success had caused them to lose their moderation and begin an internecine struggle for power. The problem is that the unity of Solidarity is absolutely indispensable to Poland. The reforms have just begun, the road to democracy and sovereignty is still long, and the post-communist remnant is counting, not without reason, on foreign support. The Kremlin is emitting signals of a political reversal and attempts to restore the status quo, as unequivocally expressed by General Dubynin and the several dozen thousands of Soviet troops who are reluctant to abandon their bases on Polish territory.

That is why the disintegration of the Solidarity camp is so disturbing. This is not so much a question of pluralism of options within that movement itself, since from its very beginning it has been a conglomerate of varied views and beliefs, as of an internecine conflict waged, moreover, in the name of objectives that do not invite social trust. One example was the struggle at the top initiated by Lech Walesa in June of last year.

At that time the then future president of Poland initially rallied around himself numerous and, as the November elections showed, substantial social and political forces. The slogans of accelerations and rupture with the old alignments stirred the society, served to overshadow the economic austerity, and, contrary to the critics on the opposing side (meaning the camp rallied around Tadeusz Mazowiecki), they promoted the cause of economic and political reforms. The trouble came later, when the elected president abandoned his campaign planks. Since then, confidence in Lech Walesa has been plummeting. This harbors the danger of losing social support in the future. It is doubtful whether any new program advocated by the president's camp can still attract Poles on a scale resembling that of the 1990 elections. This shall not happen again; faith once abused and social hopes once abused are difficult to regain.

This is linked to the problem of identity. The disintegration of the Solidarity camp has nullified the ethical foundations of Solidarity as a movement in which morality, common cause, and symbols of religious and social responsibility played a crucial role. They have been supplanted by partisan political slogans which hardly differ from each other.

Poland is facing the specter of anarchy and political chaos, which may, though it does not have to, lead to a populist dictatorship or the loss of the country's still weak sovereignty.

Is there no way out? That is difficult to answer unequivocally because the divisions and conflicts within Solidarity are now so advanced. But they should not be looked on passively, especially considering that the Polish ship of state is slowly foundering, or at any rate drifting in an unexpected direction. All the contestants in the present internecine struggle should realize that they are linked by a common origin and that, irrespective of ideological differences which it would be pointless to gloss over, politics is based on alliances. I perceive no other way of saving Polish democracy: It can be saved only through alliances of the principal forces originating from the Solidarity movement. The Democratic Union, the Forum of the Right, the ROAD [Citizens Movement-Democratic Action], the Center Accord, the Liberal-Democratic Congress, and citizens committees and regions of the Solidarity trade union should relinquish their ambitions for power, because these are unrealistic, and they should no longer support what divides them, in the name of a common cause. I continue to believe that, despite all the accusations, insults, and mutual ill will, all the factions of Solidarity support one thing: the salvation of Poland and the restoration of its place in Europe within the family of democratic and sovereign countries. This cannot be accomplished by separatism, parochial responses, and partisan bluster. There will be time for divisions later.

At present we need a compromise under which the antagonists will cease to think of themselves and of their positions (whether lost or to be gained) and begin to serve the society. Responsibility for the nation requires patience and compromise, and sometimes also self-abnegation. Unless this happens, the legacy of Solidarity will become a trap to new parties instead of helping them. And like Deianira's robe [anointed with the blood of the Centaur Nessus, and causing Hercules to suffer agonies of pain], it will lead the Solidarity movement to a premature death. To quote Kipling, it can be said that this shall certainly be quite a new story.

Crisis in Pilot Recruitment, Low Morale Noted

91EP0555A Warsaw POLSKA ZBROJNA in Polish
27 May 91 pp 1, 4

[Article by Eugeniusz Tomsia: "What About Our Air Force?"]

[Text] By all signs, a crisis such as the one affecting our Air Force is without precedent in the entire postwar period. Our Air Force, equipped successively with new generations of materiel, beginning with the MiG-15 (Lim-2) and the MiG-17 (Lim-5 and Lim-6) to the MiG-21, attained a medium standard of modernity in the late 1960's and early 1970's. At present, we are

trailing in this sphere by 15 to 20 years compared to the newest aviation electronics in the West (and the East).

The SU-22 and MiG-29 planes, as well as the Mi-24 helicopters, purchased in the 1980's, do not improve the situation a whole lot. Not only does the budget of the MON [Ministry of National Defense] fail to guarantee the development of the Air Force, but it also makes the retention of the level to date impossible. The crisis has enveloped Air Force regiments and the flight personnel, and has not spared Air Force training, either. Meanwhile, as recently as two years ago, it appeared that optimistic predictions were in order.

Both the materiel and the flight personnel indicate the power and efficiency of the Air Force. The materiel may be modernized on time, provided that the national economy performs well, whereas the cadres should be recruited, educated, and nurtured for many years. By nurturing, I mean educating them in the spirit of national traditions, creating the ethics of the flying profession, and the respect which this entails. Therefore, the ranking of the profession of pilot does not depend only on those interested. What is the situation of this ranking at present? After all, everything that the profession of a pilot consists of, everything that has been so diligently built at one point, is now falling apart. Why?

To see how laborious and demanding the road to the pilot's profession is and how many sacrifices and how much devotion it requires, as well as how easy it is to lose this profession, it would suffice to track the recruitment of candidates to the Air Force, detailing the entire burden of shortcomings during the period of "service in the guard of the air borders." The WOSL [Higher Air Force Officers School], "the eaglet school" in Deblin, is the only school in Poland training military pilots. A special selection system is used in the course of recruiting candidates that is supposed to produce the best, those who meet certain conditions which are necessary and indispensable for a professional pilot. The following are among basic conditions: A high school diploma, good health confirmed by the findings of the military flight surgeon commissions, age under 24, Polish citizenship, appropriate moral values, being single, passing the admission exam, and graduating from the aviation class of military science (II degree, including a parachute class). Three stages are distinguished in the system of selection of candidates to the WOSL: health selection (done in two stages), intellectual and personality selection, and psychophysical selection of professional pilots.

Stages I and III are the most difficult selection stages for candidates sent to "the eaglet school" by the Military Recruiting Stations. As a rule, few candidates have the best of health and personality predispositions: Out of the 2,000 to 3,000 boys tested before high-school exams in previous years, only 100 to 200 passed through the sieve of selection. In addition to good health, they should have appropriate temperaments (lively, self-assured, open,

and sociable), short reaction times, perceptiveness, concentrated attention, independence, a great feeling of responsibility, abilities, and discipline. Between 20 and 50 percent of the candidates selected accordingly are eliminated at stage II (admission tests), and about 10 percent are eliminated at stage III.

The psychophysical selection of professional pilots is conducted by instructors in designated regional aviation clubs during practical training on propeller planes. During the two months of vacations, candidates take theoretical and practical training on planes according to a special 30-hour program and jump with parachutes. After the end of practical training, the instructor pilot evaluates the candidate trainee, taking into account his reasons for an interest in flying, the degree of involvement in training, psychophysical resistance, peculiar features displayed in the process of mastering the technique of piloting the plane, and so on.

Many candidates encounter a plane for the first time during this training (a majority also have had to deal with gliders during LPW-I [Premilitary Air Training-I]). While flying, they learn their own potential under peculiar conditions. These contacts with the Air Force form the attitudes of many young people toward the profession, frequently for life, and form their stance in life. They decide whether or not to ultimately opt for the career of a pilot. This is why stage III of the selection is so important for the future of all candidates inducted into the WOSL; it influences the success or failure of instruction and the subsequent professional career.

After taking the LPW-II, candidates who have passed the piloting course, and who have adequate predispositions for the profession of pilot, embark on four years of study at the WOSL on the track of pilots of supersonic planes or pilots of combat helicopters. Despite the use of very difficult criteria for qualifying candidates, the elimination of cadets continues and exceeds 50 percent of personnel. This is to say that fewer than one-half of those who began to study graduate from the school. A deteriorating health condition or declining motivation to become a professional pilot are the reasons; in particular, the latter.

The recruitment of candidates for the WOSL has so far been helped by two Secondary Flight Schools, in Deblin and Zielona Gora (60 percent). The recruitment (so-called second recruitment) from other officer schools, which was practiced until 1986, did not work out. However, two years ago the training of candidate aviators at Zielona Gora was discontinued. Last year, LPW-I and LPW-II were also abandoned. This suggests that the system of selecting candidate pilots, which had been ingeniously built for years, collapsed. In addition, the number of slots in the pilot tracks of the WOSL were also reduced. At one point, one class consisted of as many cadets as there are now in four classes (there was no recruitment in the first year).

Meanwhile, the plank for training was set higher, and last year two groups of a dozen or so cadets each began to train in combat regiments on the SU-22 and MiG-21, and two groups on the Mi-24 helicopters. It should be mentioned that these groups were recruited through the selection system described above. However, will those coming later meet the requirements imposed by modern aircraft? This year, there still will be no difficulties with the recruitment of candidates for the WOSL: There are 82 of them in the fourth year of the Secondary Flight School in Deblin for 30 slots at "the eaglet school." However, what is going to happen next, since it is known that young people are not too eager to go to officers' schools?

The fact that in Air Force regiments many pilots have retired early to reserves should give rise to concern. This has been due to both the health selection, which in this field continues without interruption (every year, about 20 pilots cease flying as a result of such selection), and the restructuring of the Armed Forces. This is not all, however. A general decline of motivation to engage in their profession has been registered among the flight personnel of the regiments—a profession that, despite requirements that are higher than in any other profession, does not guarantee at present the prospects and standard of living that young people expect.

Recently, Colonel Pilot Edmund Klich from the WOSL wrote in *POLSKA ZBROJNA* that the training of an experienced military pilot who can meet high requirements is a very important element of training the troops. The military in the West knows this full well. Professional military pilots are highly valued and financially distinguished over there. For example, there are at least seven candidates per one slot at the United States Air Force Academy in Colorado Springs. In the United States, being a professional military pilot ennobles, and makes a political career easier—they are simply the best of the best.

In our country, we demand a lot of the pilots, and rightly so. We demand that they be in good shape, available, and rested all the time, that they have advanced special expertise; their families are supposed to create excellent conditions for rest before the flight, and so on. What do we give to the pilots for these restrictions on their personal freedom? Low pay, as to all military men, and a low flight bonus. On the other hand—this is what I will add to the statement by the colonel—how is the family of a pilot supposed to create conditions for him to rest if the pilot is not quite in a position to support his family?

What was and is the progress of restructuring? In [military] aviation, restructuring has mainly affected the former Air Force [Troops]. An analysis done by Chief of Personnel of the Fourth Air Corps Colonel Pilot Jerzy Kledzik suggested that between 1 January 1988 and 31 December 1989, three Air Force regiments were disbanded, and the TOE [terms of organization and equipment] strength of another eight regiments was reduced. In this manner, 274 flight personnel positions were

eliminated. A surplus of pilots emerged who ended up on the so-called transitional roster. The problem of what to do with them came up. Therefore, their transfers to reserves were officially expedited, staff positions of flight directors were introduced, or assignments to nonflight positions were made.

It appears that a lot was done, given the potential of the Armed Forces, in order to mitigate the consequences of this restructuring and to enable pilots to make a quick professional transition in the civilian community. In addition, for several years now permission has been commonly issued to professional servicemen seeking civilian licenses as pilots and professional mechanics. On the average, between a dozen or so (in the early 1980's) and up to several hundred (!) people in the last two years have received them. Unfortunately, the licenses of most pilots have turned out to be useless. In practice, their only advantage was that...they made the people feel better.

As a result of efforts by the DWL [Air Command] in 1988, an agreement was signed with the LOT Polish Airlines based on the Army agreeing to undertake the retraining of 30 pilots for the An-24. However, upon the completion of training, these pilots either did not take jobs in transportation aviation, or gave up such jobs later due to unfavorable conditions (lack of apartments, high cost of living, and so on). The signing of agreements on jobs with the managements of the ZUA [expansion unknown] Swidnik and the WSK [Transportation Equipment Plant] Okęcie was also affected. As a result, a total of 44 pilots were discharged with their own consent (15 helicopter pilots, 22 pilots from jet aviation upon retraining for helicopters, and seven pilots from the An-2).

At present, only eight pilots work at the ZUA, because of the deteriorating economic situation of these enterprises and the unfavorable attitude of their labor forces, whereas the WSK has not hired a single pilot despite their previous training for agricultural aviation at the expense of the enterprise.

In addition, the Army enabled 27 pilots to obtain professional drivers licenses free of charge. However, the outlays did not bring the desired effect. Only one pilot from Tomaszów Mazowiecki works privately as a driver, whereas others have not found employment in their new profession. In a way, this is a sad end to the career of the recent "conquerors of the heavens." No wonder that they are bitter now. They stopped flying through no fault of their own, and without satisfactory financial security.

Immediately before the merger of the Air Force and the National Air Defense Forces (1 July 1990), pilot positions, after a reduction, were 99.8 percent filled. Because of the further restructuring of authorized positions, it appeared that this rate would increase by 0.1 percent. An announcement of the introduction of a new law on retirement benefits according to the draft of the then Ministry of Labor and Social Policy brought about

virtually a mass filing of applications by pilots to be transferred to the reserves. Could these have been rejected?

Under the circumstances, all studies and personnel plans did not come true. The best and the most experienced pilots left. The average age of those remaining in the service dropped from 36 to 33. In some regiments, lieutenants are squadron commanders already. The process of retiring to civilian life is still under way. Recently, six pilots, aged between 30 and 45, left the Army. Requests by another eight (six who fly SU-22's and two helicopter pilots) are being considered. Significantly, two of them are WOSL graduates from last year, and both of them are 24 years old! In response to a question by a personnel officer concerning their reasons for not making this decision while still in school, one of them said that he was not aware of the kind of responsibility that awaited him in a combat regiment for pay that low. He has a civilian job offer for 5 million zlotys per month, and that without a significant risk.

What will happen to the pilots in these regiments? This is unknown. Most certainly, they will not want to remain in the Air Force. Probably, they will not agree to transfers to other garrisons, because of worse social and living conditions, even at the price of losing the several years that remain until they qualify for retirement benefits, which under a new draft by the Ministry of Labor and Social Policy continue to discourage career military service anyway. Therefore, we should calculate how much we will lose by virtue of this.

The training of a pilot to Class 1 standards takes between eight and 10 years. Over this period of time, the pilot masters the techniques of flying two or three aircraft. He must accumulate between 150 and 180 hours to qualify for Class 3, and depending on the type of aircraft, between 450 and 750 hours in order to qualify for Class 1. An experienced pilot at 40 has logged more than 2,000 hours. His price is often determined aptly by using the comparison that he is worth his weight in gold.

We may calculate this ourselves. Between 1984 and 1991, the cost indicators of operating aircraft materiel have increased by as much as a factor of 36! Here is a comparison of the cost of operation for one hour of flight in the year they were purchased and at present, for planes which are in service with us: the Lim-6—74,951 zlotys and 2,698,000 zlotys; the MiG-21 MF (basic model)—122,435 zlotys and 4,408,000 zlotys; the SU-22—286,353 zlotys and 10,309,000 zlotys; the Mi-24 helicopter—256,770 zlotys and 9,280,000 zlotys. This calculation does not include the cost of amortization or expenditures to train, outfit, and pay the pilots, or the use of aviation equipment and weaponry. With the inclusion of the cost of amortization, the price of one hour of flight by all planes doubles.

Expenditures to train military pilots appear to be horrendous. For example, the cost of one hour of the flight of the MiG-29, the most modern plane of ours (likewise

calculated without amortization), amounts to 123,244,000 zlotys (no, there is no mistake here)! What does this indicate? Specifically, that if we want to have a modern air force, we will have to pay through the nose for it. Last year, WLiOP [Air Force and Air Defense Forces] pilots logged 21,623 fewer hours than the previous year, but despite this the cost of operating planes and helicopters (without taking the cost of amortization and the inflation coefficient into account) increased by 122,461,000 zlotys. This was the effect of flying the MiG-29's! However, Western pilots fly two to three times more hours per year than economic conditions make it possible for our pilots to do. This is not at all to say that the burden of our pilots is lighter.

How To Retain Pilots in the Army?

Colonel Pilot Jozef Obala from fighter-bomber aviation made a simple deduction. Two hours of flight by the SU-22 (with amortization) cost about 40 million zlotys. If we divide this by 12 months, we will arrive at an amount of a tolerable pay increase for pilots of 3.3 million zlotys. This amount could keep the pilots in the army for the time being. Is that really a lot if we compare this to the billions spent to train these pilots that will be lost irretrievably once the pilots retire to civilian life? Meanwhile, we say that it will be more economical if we let the pilots go because there is nowhere to add these 3 to 4 million zlotys to their pay from. Two or three years from now we will be thinking once again about ways to attract people to the Air Force, and will subsequently spend considerably more money than we do now in order to train them.

The pay of Colonel J. Obala after 22 years of service in the Air Force, at a colonel's billet (U-13), after graduating from a military academy and getting the master class of military pilot, together with an award for having this class, amounts to little more than 4.5 million zlotys. Being a lieutenant in 1969, he made more than 4,500 zlotys. Therefore, the value of his current pay in real terms has not at all increased, which has not been the case with his responsibilities and personal sacrifice.

Up-to-date aircraft materiel also determines how attractive the pilot profession is. Military pilots and strategists know well the combat value of such materiel on a modern battlefield. Recently this was shown by, for example, the war in the Persian Gulf. If we review our Air Force, it is easy to get the impression that we have obsolete planes. They consist of the Lim-6's that are still in service; the TS-11 Iskra's, which are used by training regiments; and the MiG-21's of various series and the MiG-23's in fighter regiments. Compared to the accomplishments of electronic aircraft technology in the world, our SU-20's and SU-22's do not appear too impressive, nor do several dozen combat helicopters of the Mi-24 type. Their number is dropping from one year to the next.

Only the MiG-29 (one squadron) meets the requirements of world-class modern aircraft technology. We do not

have money to purchase more copies. It is not known whether the previously signed contract with the Soviet Union for the delivery of another MiG-29 squadron will be carried out at all. The price of this plane amounts to \$18.5 million this year, after the switch of the USSR to settlements in dollars. On the other hand, purchasing planes in the West would also entail the replacement of ground equipment and radar installations. Therefore, the price of a single plane, for example, an F-16, would be several times higher. Meanwhile, its cost per copy comes to about \$30 million. What are we to opt for?

At the same time, the need to increase the efficiency of the equipment we have has become pressing. Calculations made by officers of the WLiOP flight engineer service suggested that our Air Force will become virtually nonexistent by the year 2005. As chief of the Department of Planning and Maintenance Colonel Engineer Andrzej Sedziwy B.A. says, even now there are not enough spare parts for many types of repairs of the MiG-21 engines.

If it goes on like this, shortly before the year 2000 it will be necessary to disband two MiG-21 fighter regiments and use them for parts in order to keep such regiments in proper technical condition. This will be due to the allocation of insufficient funding for several years now for extending the service life of planes on a current basis. This year, the WLiOP has received, for example, 13.6 billion zlotys for repairing aircraft materiel, which meets only one-half of the needs. Meanwhile, this involves only repairs within the country.

To describe the actual condition of our Air Force, we should also mention technical personnel. Officer-engineers with B.A. degrees for Air Force regiments are trained only by the Military Technical Academy. Midlevel technician personnel (warrant officer technicians) for supersonic aviation are trained at the Main Center for Training Technical Specialists of the Air Force in Olesnica, and for subsonic aviation, they are

trained at the Air Force Technical School in Zamosc. However, no military school trains noncommissioned officer personnel.

The latter type of personnel causes Colonel Engineer Jan Mazur B.A. from the SIL [Flight Engineering Service] Main Office the greatest difficulty. Despite many officers retiring to reserves, the WLiOP flight-engineer service has enough officers to service planes. This is not too bad. However, the strength of personnel at the lowest level of technical service in the regiments has not improved in years. The authorized professional noncommissioned officer strength is quite unsatisfactory. The above notwithstanding, tasks are accomplished; the question is, at what price?

The issue of the shortage of noncommissioned officers is resolved by some soldiers in basic military service remaining in the Air Force permanently. Some need to receive additional training continuously at five-month courses in Zamosc and are appointed to vacant noncommissioned officer positions. In this manner, the positions are filled to a considerable degree. However, these resources are inadequate because, in turn, a shortage of recruits develops, of whom there are few in subunits. Therefore, they serve with an excessive burden of responsibilities.

In addition, the reduction of the duration of basic military service to 18 months influences the operation of military units adversely. Also, the issue of sole providers for their families, who are not subject to the draft, has come up. In addition, the introduction of extended service by soldiers did not meet the expectations of the career servicemen. Very few indeed opt for this service. Therefore, what is to be done? It appears that contract service could be a way out to a degree. However, when will it be introduced?

There is no other way: The Sejm, the government, and our society should take a more realistic view of the needs of their Army and their Air Force.

Critical Analysis of Current Political Scene*91BA0861E Timisoara RENASTEREA BANATEANA
in Romanian 4 Jun 91 pp 1, 7*

[Article by Ion Marin Almajan: "In Whose Name Is the Country Governed?"]

[Text] The overthrow of the Ceausescu dictatorship and the fall of the communist regime in Romania occurred suddenly, with a loud noise, and as is known, with loss of human lives. For the sake of comparison, in Hungary the seeds of democracy were planted gradually, something that seemed to be allowing a relative economic stability and even a certain level of prosperity. Romanian radicalism, motivated by both internal doctrines as well as by capturing foreign goodwill and credibility, created a sorcerer's apprentice who invoked his master's formula, thereby releasing evil spirits from their captivity, but who is now incapable of controlling them. Taking advantage of the existing confusion and weakness and of the conservatism of old cadres with retrograde mentalities, and silently working against any winds of change, extra-parliamentary forces and the street are hoping to take over the power before the end of the electoral term. As in the case of Hungary, the crisis began, as the daily NEPSZABADSAG admitted, sooner than the authorities expected. In both countries the opposition is afraid that the incipient parliamentary democracy may collapse and that the old system may be reinstated; behind it, however, is the fear that it may not be allowed to come to power constitutionally. Sensing the weaknesses and lack of support of the masses, the same opposition is currently advocating the return of the king, fully aware of the fact that he would in fact provide a screen behind which their access to the power would be much easier. In their turn, the electorate and the society fear the opposition, or more precisely the tendency of its right wing to steer the elite toward a certain type of dictatorship. In contrast to the Hungarians, whose exodus to other countries was measured and proceeded over a longer period of time (with the exception of the 1956 revolution) because they openly practiced the theory of staying in the areas in which they settled, and even encouraged a higher birth rate in order to secure a majority among the other people with whom they coexisted, the Romanians are consumed by the roaming fever, not impelled by political and religious reasons, but by dreams of more money, gained by whatever means available and regardless of what they have to do to get it. While the Hungarian press and other media already existed as democratic institutions, in Romania they are going through a kind of liberation delirium that has caused them to lose their way. The absence of any professionalism and ethical laws leads to public disinformation and confusion, which serve to intensify the national discord. Accustomed with a censored press, steered away from truth and reality, the Romanian reader is now confronted by a deluge of interpretations and falsified or biased information in the wake of which he will either utterly refuse to read any paper anymore, or in the best case, will read only a certain category of newspapers. The common

basic problems in both states is that economic promises were not kept and living conditions deteriorated at a galloping rate. Before the elections the people were promised first of all material well-being. That, however, was delayed; on the contrary, the poverty reached incredible levels and the mechanisms previously in place—albeit kept there by force—went completely awry, thus generating uncertainty about the immediate future. This extremely difficult situation facing the nation cannot be replaced either by European ideas (by entering Europe) or by democratic institutions. The vital question is: In whose name is the country governed? The answer is difficult. If we were trifling we would say that the country is governed in the name of an idea. Who is disadvantaged by this kind of government? Clearly the workers, employees, and pensioners, some of the intellectuals—especially young people at the beginning of their careers—and women, who are affected by inflation. Who has the advantages? Private entrepreneurs and people who had money set aside for a rainy day, which they got either illicitly or from relatives abroad. This kind of people made fantastic amounts of money in the first months and even now. Obscure firms hiding behind them all sorts of individuals, some of whom had even belonged to the former ruling apparatus or are members of the current one, are doling out the country's assets in their own interest and inflicting damages on the national wealth that we will never be able to repair. Some of the people now in power, including Parliament members, inherited the political culture and arsenal of resources of their predecessors, while others, completely lacking in any such culture, are either being manipulated from the shadows or are motivated by their own thirst for power and money interests. This explains the regrouping and factions that appear overnight and try to give the impression that they are motivated by ideological or ethical reasons. The above-mentioned newspaper said that the Hungarians are expecting the ones in power to work in four directions at the national level in order to promote European (Christian) values, and to ensure democracy in the operation of public institutions and in the social and economic area. The Romanians want to have the prosperity leap of which they dreamed under Ceausescu, to reorganize the public institutions along the model of the civilized European countries, eradicate corruption and bureaucracy, ensure normal individual and national living conditions in the socioeconomic area, and achieve openness toward the world on the basis of a convertible currency. Are their demands too many and too difficult? Will we, the present generation, live to see them, or will we take our wishes unfulfilled to our graves, bequeathing to our descendants either the joy of experiencing them or the bitterness of cursing us for having been foolish and irresponsible?

Presidential Adviser Pascu Interviewed*91BA0862A Bucharest AZI in Romanian
21 Jun 91 pp 1, 4*

[Interview with Presidential Adviser Ioan Mircea Pascu by Liana Segu; place and date not given: "Political Common Sense"]

[Text] The collaboration, good neighbor, and amity treaty between Romania and the USSR, signed by Romania's president, Ion Iliescu in Moscow, has stirred a wide range of discussion, comments, and in many instances, suspicions. It thus appears useful to consider it once more, and especially its Article 4, which more than the treaty itself has generated a flood of protests, street demonstrations, and verbal or written "reprimands" from the most diverse categories of those opposed to Romania's regime. We therefore decided to hold a conversation with Ioan Mircea Pascu, presidential foreign policy adviser, who although only tangentially involved in the formulation of the document, as he recently stated in the magazine ROMANUL, is one of the specialists who can supply additional, reasoned details about the text.

[Sega] It would appear, Sir, that the "three graces" of Central Europe—Poland, Hungary, and Czechoslovakia—are in no hurry to reach an agreement with the USSR similar to the Romanian-Soviet one. What is the sensitive point in the negotiations?

[Pascu] According to our information, these countries do not concur with the USSR draft agreement request that would compel them to not enter into alliances against the Soviet Union. These countries interpret the request as a prohibition against joining NATO, and thus against entering into Western organizations; they consequently consider it an obstacle to what is currently one of their major foreign policy objectives.

[Sega] Which is what we find in Article 4 of the agreement signed by Romania?

[Pascu] Yes. This condition is "the fly in the ointment."

[Sega] Did the treaty signed by Romania conflict with any other international agreement in which it participates, or did Romania avoid signing any other international document in order to reserve its right to maintain more "intimate" relations with the USSR?

[Pascu] I can answer this two-pronged question by saying that Romania does not have to cancel any other international document, nor does it infringe upon any, by recently signing the treaty with the Soviet Union; similarly, it does not have to waive the closing of any other agreement by signing the present one. In fact, some time ago the Ministry of Foreign Affairs had prepared two types of treaty frameworks: one for our former allies, and one for the other countries. They are a prototype for the agreements which are presently being negotiated with a whole series of other countries. The Ministry of Foreign Affairs has sent these draft treaties both to former allies, such as Hungary and Czechoslovakia, as well as to other nations such as Italy, France, Turkey, and Germany. Since the drafts are initially similar for the two categories of nations, fundamental differences between them are not possible; the only differences that can arise are nonessential, determined by the specifics of the partners and by the concrete conduct of negotiations with them.

[Sega] Romania's present regime, and more precisely its president and the Romanian Government, is being criticized that by signing this agreement it is abandoning the notion of a possible reintegration of Bessarabia into its natural borders. What is the truth?

[Pascu] Here again, we have two problems: one is legal, the other historical. Article 3 of the treaty, textually states that "Romania and the USSR reaffirm the inviolability of borders and the territorial integrity of all countries in Europe." From a legal standpoint, this confirms the territorial status quo of today's Europe, acknowledged by all the signers of documents at the Conference for Security and Cooperation in Europe (CSCE). The latest great document that stipulates this matter is the Charter of Paris. The agreement with the USSR refers directly to these documents, which are accepted in practice by the entire world, and which are considered as the only ones capable of maintaining stability, peace, and security on our continent. This therefore imposes the obligation to maintain the borders, their inviolability, and territorial integrity. At the same time, the CSCE documents explicitly stipulate the possibility of modifying borders through peaceful, mutual agreements. Germany's reunification is exactly such a case. And nothing in the present treaty excludes the possibility of modifying the borders between Romania and the USSR in the future, assuming that an agreement is reached by both parties. The acceptance of border inviolability and territorial integrity therefore does not exclude the possibility for these factors to be revised under the conditions authorized by the international documents explicitly invoked by the treaty with the USSR.

[Sega] It is also said that Article 4 of the treaty will "wound" the pride of those countries which feel that the article's contents eliminate them from among Romania's friends. What can you tell us about this?

[Pascu] Article 4 refers exclusively to the bilateral relations between the two countries; this is a matter of substance. To begin with, the treaty is a treaty of amity; and I can tell you that long discussions were held on whether the term should be amity or friendship. Ultimately, the Romanian opinion was that amity is more appropriate exactly because it eliminates any similarity with the old treaty. Secondly, Article 4 refers only to reciprocal bilateral relations; in other words, neither Romania nor the USSR will enter into alliances, will undertake, or will allow the undertaking on their territories of hostile activities directed against the other country. Using a theoretical scenario, the treaty does not automatically apply if the USSR or Romania become engaged in any military situation/development that does not concern the other party. Article 4 therefore purely and simply stipulates an obligation which the two countries mutually assume exclusively with respect to each other.

[Sega] But does Article 4 allow one of the parties to place at the disposal of the other its territory, roads, and means

of communication or other infrastructures, going as far as military support, in order to conduct an aggression against a third country?

[Pascu] No. This point did exist in the Soviet draft, but after negotiations, the Soviets waived it because Romania considered such a provision unacceptable. Article 4 refers solely to the obligations of the signer with respect to its partner. It does not refer to rights of the signer on the territory of the other country.

[Sega] Specifically, who are those who are again and so strongly opposed to this Article 4?

[Pascu] The treaty is controversial. I have found in my mailbox at home written exhortations, notes, asking me to protest against it as a private citizen. Even though these actions amount to an attempt to enlist public opinion against the treaty, it definitely may be the most sensible topic of discussion in Romania's foreign policy, especially in the confrontation of the government and its opposition.

It provides a number of debatable points: the citizenry's lack of information, which is being exploited to its fullest; the obvious lack of good will, not to say the existence of a contentious attitude; as well as a number of other elements which underscore this controversy. In broad terms, I would say that there are three categories of challengers to the treaty in general, and to Article 4 in particular. The first consists of the domestic opposition, which has capitalized on this diplomatic initiative in order to gain political strength by identifying its position with a cause that is very popular with the Romanian people, the Bessarabian problem. It also took advantage of this situation to level new criticism against the regime; in fact, it would have been surprising if the opposition had missed such an opportunity.

The second category among the dissatisfied comes from the ranks of former allies who are themselves involved in negotiations with the USSR for similar treaties, and who fear that in light of this precedent, they would have to also accept similar provisions, including the inability to form an alliance against the USSR. But since they plan to join the North Atlantic Alliance as soon as possible, it is clear that such a provision would become a hindrance. In this respect however, I believe that matters have to be viewed from a somewhat broader perspective: Continuing to perceive today's Europe, and especially tomorrow's Europe, in the framework of East-West confrontations between NATO and the Warsaw Treaty nations, is in my opinion evidence of political shortsightedness, not in a pejorative sense, but in the strict meaning of the word: adoption of a position solely in terms of the immediate circumstances, without considering the perspective of their evolution. Yet it is clear that Europe is moving away from the system in which it has operated—whether it was good or bad remains to be established from now on—and which characterized a stage that is in the process of concluding. The future system will be multilateral, it will include practically all the European

countries, and its domestic security will be assured by the participation of all the entities that compose it. As a matter of fact, there are known international documents, among which the Paris Charter, that sanction the fact that enemies no longer exist in Europe. Under these conditions, formulating the question in terms of an East-West confrontation is an anachronism.

And lastly, a third category of political criticism comes from across the sea, especially from the United States. I want to stress that all this criticism is unofficial, since the signing of an agreement represents a sovereign action on the part of any state; criticism arrives through unofficial, semiofficial, informal, scientific, and "friendly" channels. This having been said, criticism of this nature also comes from the United States, which interprets the treaty as a political gesture that places into question Romania's long term intentions, and as a deferral of the political "break," particularly with its Eastern neighbor. Much could be said about this criticism, but I want to mention only two points. In the first place, the USSR is, and for the foreseeable future will remain our largest neighbor, with a potential difference that we will never be able to overcome. As such, the signing of a treaty with this power is the most natural, the attitude that makes the most common sense from a political standpoint. Today's domestic opposition, when it comes into power—considering that henceforth any mandate to power is a limited one—may understand the need for such a political attitude. The second point which I want to introduce here is the United States' very attentive position toward the USSR, its leadership, and the developments in that country. It could even be classified as a definite consideration which very clearly shows that the United States has precisely defined interests towards the USSR. I find it very curious that all these criticisms have not also been directed toward the USSR, with whom the United States maintains a much stronger dialogue than with Romania. If any doubts exist on the other side of the ocean regarding the USSR's friendly attitude toward Romania, I think that both the United States and the USSR have had enough opportunities—and can still create others—to clarify these matters among themselves. In any case, criticism leveled at Romania does not clarify the situation. I might add that in my opinion there are people abroad who are much better informed than we are ourselves about the future reserved for Romania. And to receive criticism specifically from them, seems to me at the least cynical.

[Sega] The signing of this treaty can implicitly mean that Romania recognizes the timeliness of maintaining the Union?

[Pascu] Here again we recognize two problems: a political one and a legal one. The first, which implies defining Romania's position toward the maintenance of the USSR in its present form, and toward the manner in which a change could occur and the effect that such a change would produce, would require a lengthy, separate discussion. The second question, the legal one, has a simple answer. The USSR is an international law entity

with which all other countries sign treaties; we are neither the first nor the last in this respect. If matters change in the future, international law will reflect it and nations will conform to these possible changes.

[Sega] The opposition political parties, particularly those which belong to the Convention for the Establishment of Democracy, have often declared that they will await a favorable opportunity to withdraw from Parliament, so that this political action will generate the widest international echoes. Could this favorable opportunity coincide with the time at which the treaty is brought to Parliament for ratification?

[Pascu] Our analyses foresee exactly this possibility, that is, the selection of the treaty ratification as an occasion for the opposition parties to withdraw demonstratively from Parliament. But the Parliament's activity must instead be viewed from the standpoint of the extremely difficult domestic situation in which we find ourselves, and which requires the collaboration of all the country's political forces. To abandon Parliament and this task by invoking a reason associated with Romania's foreign policy, such as the treaty with the USSR, amounts to replacing domestic problems with a foreign policy issue; I find it hard to assess the relevant necessity of this action in helping solve domestic problems. I personally consider that this attitude can involve domestic political costs that are difficult to evaluate, and that the political parties which engage in this scenario are probably not ready to pay. We should add however, that the electorate is very sensitive to such matters.

[Sega] Among other things, the right of Romania's president to sign international treaties has been challenged, arguing the absence of such a mandate for these first two years until the next elections. What is the truth?

[Pascu] This is a false argument. And once again, the question can be viewed from two angles. First, the strictly legal one, where matters are as clear as they can be, since the stipulations of the president's functions in Chapter 7, Article 82, of the electoral law that governs the operation of Romania's presidency and president, expressly state that "the president signs international treaties and presents them for ratification by Parliament." From a legal standpoint therefore, the argument that the president did not have the right to sign this treaty is pure speculation. Whoever raises this issue has either not read the electoral law, or knowingly ignores its provisions. The other aspect of the matter is a moral-political one. In other words, does a leadership with only a two-year mandate have the right to pledge the country for a longer period, of 15 years in the case of the treaty with the USSR? Here too, the answer is clear. If we were to judge by this logic, practically none of the political forces that will come to power, either singly or in an alliance with other parties, would have this right, given the duration of the political cycle, which allows the assumption of power only for inevitably finite periods of time; they could thus not sign treaties that would "pawn" Romania's future for periods longer than their own

mandate. This is a childish way to weigh matters. The nations of the world frequently conclude international agreements for long and intermediate periods of time. If we subjected ourselves to this warped logic, no one could conclude agreements with anyone else; international relations however, are entirely different.

[Sega] I thank you.

Overview of 1-2 Jun Vatra Conference

91BA0861D Bucharest RENASTEREA BANATEANA
in Romanian 4 Jun 91 p 3

[Article by Mariana Cernicova: "Vatra Romaneasca—Undivided"]

[Text] More than one year has passed since the spiritual forces of the nation gathered within the cradle of Vatra Romaneasca [UVR] and, under the generous sign of national ideals, structured social-cultural activities and programs aimed at shaping a civic attitude without regimenting its members within a formula dedicated to electoral or party objectives. After a period of enthusiasm when branches, subbranches, and youth organizations were established, centrifugal tendencies emerged: Regular conferences overlapped (the same meeting convened both in Brasov and in Ploiesti is still fresh in the public's memory) and the national conference was announced in the media both in Cluj-Napoca (to be followed by elections) and in Tirgu Mures. The representatives of the 36 branches who attended the second UVR National Conference on 1-2 June in Tirgu Mures expressed their bitterness, concern, and anxiety about the schism symptom that seems to be contaminating all Romanian politics. "The UVR needs unity," was emphasized at length. Moreover, in order to not destroy the bridges between the UVR branches and members, the election of new leadership bodies took into account the results of the ballots cast two weeks ago in Cluj-Napoca; thus, members validated at the Cluj conference were coopted in important positions. The wooden language of the decades that preceded December 1989 was replaced by the language of the heart: Most addresses were sentimental and passionate rather than conceptually structured, and reflected something of the character of the speaker and the experiences of the UVR branches. The statute submitted for discussion and endorsement at the conference outlined the organizational means of action of the UVR's members and leadership bodies by establishing a National Coordination Council and a National Steering Committee. New positions were also established: founding president, in the person of Radu Ceantea, senator for Mures, whose name is linked to the organization and growth of the UVR in its current form; and honorary president, to which Professor Dr. Iosif Constantin Dragan, the UVR's spiritual mentor and moral support, was elected. The current leadership was entrusted to Dr. Petru Zeno Opris of Tirgu Mures, the president elected in Cluj Napoca, and to Professor Dr. Iustinian Petrescu, who was appointed vice president. It was recommended that the UVR clearly express its

position toward the political parties. The national conference emphasized the fact that the UVR's electoral potential cannot be directed from the center and, while the rapprochement or distance between the UVR and the various political parties depends on the extent to which the parties identify with the national ideals, each member is completely free to express his choice in the next elections. At the same time, in line with its program, the UVR intends to incorporate in its sphere of activity Romanian branches located outside the country's current boundaries. Very strongly expressed was the desire to support the efforts made by Romanians across the Prut river to assert their right to independence. Thus, the motion adopted by the conference anticipated the "Conference on the Consequences of the Ribbentrop-Molotov Pact," which will be held in Kishinev at the end of the month, by denouncing the effects of that painful and unjust pact. The conference called on the country's president, Parliament, and government to assume a firm position, by focusing on the urgent issues of Transylvania and sounding a warning about that important region of the country. The delegation from Timisoara, led by the chairman of the county branch, University Lecturer Dr. Valeriu Tabara, acted as a moderating element and activated discussions designed to solve general issues concerning the organization's activities. The reason that many fears did not come true and that unity was possible not only as a desideratum, but in fact, was to a great extent due to the pertinent remarks and timely amendments of the Timis delegation. The affirmation "We are Romanians" was followed by the Orthodox sign of faith, whereby a crucifix was erected in honor of the national martyrs. The crucifix was dedicated by the generous Maramures artisans to their brethren in Tirgu Mures in eternal memory and Christian devotion. The UVR is still undivided, a union of ingathering and gelling of the Romanian spirit.

Profile of Politician-Businessman Cornescu

91BA0561B Bucharest *TINERETUL LIBER*
in *Romanian* 15-16 Jun 91 pp 1, 4

[Article by Marius Stoian: "Leaders Showcase: Today, Mr. Lucian Cornescu"]

[Text] In the past few weeks, two events worthy of a positive notice propelled Mr. Lucian Cornescu, chairman of the Traditional Social Democratic Party [PSDT], from an almost discrete position to the forefront of our attention. The first was his 1 million [currency not specified] donation for handicapped children (occasioned by the 1 June television broadcast), and the other was the surprising statement that the PSDT intended to help 100,000 private entrepreneurs "for a start." The letters with which we were recently bombarded undoubtedly indicate the presence of growing interest in Mr. Cornescu's person. Finding the origin of

this interest was relatively simple. A Russian movie maker, realizing the paradoxical situation in which we found ourselves—generally applicable to all the countries of the former communist camp—drew a vivid comparison between us and animals suddenly transplanted from a zoo, where they got minimal attention designed to ensure their formal survival, to the jungle, at the mercy of natural selection. The comparison may be unfavorable, but it clearly illustrates the nature of this transition period. Everywhere there is confusion, and fear and anxiety are the points of passage from one day to the next. In this "no man's land" [last three words in English], the appearance of a businessman of Mr. Cornescu's stature provides an encouraging and fortifying feeling. The shocking element is that a businessman par excellence, who successfully exercised his skills for a good number of years in the West, should return to Romania to promote not a liberal party, but a traditional social-democratic party. However, under a closer examination the appearance immediately turns into its opposite. Mr. Cornescu advocates an amended social-democratic concept precisely because he is an excellent businessman. Given the existence of an overabundance of political parties sporting the description "social-democratic" in their name, a new such party seemed fated for an anonymous existence. However, Mr. Cornescu does not belong to the class of amateur leaders who think that in order to implement a social-democratic ideology one must first bridge the gap of income differences. In other words, that one must first reduce the common people to definitive poverty, and then treat them to a "wise" social protection. And something else. In a country that has been stripped to the bare bones, subordinating economic interests to political interests—a tendency noticeable in our country—is undoubtedly a perfidious attack on the public. The controversy about what aspect is more vital, the economic or the political, is pointless, because it can be solved only in one direction. The reform must lean on a political support, without which its future may be to succumb. It needs political support, but not a rigid control. The example of the "Mexican economic miracle," where the economic reform of President Salinas, a Harvard economics graduate, is progressing vigorously despite the fact that the political aspect is lagging behind, is an eloquent example. As a figure inspired by a primarily pragmatic philosophy, Mr. Cornescu, seconded by several gifted politicians, could muster the necessary resources for a forceful entrance into the arena of the contest for the power (power, in this case, in the favorable sense of "means"). Along this line, his contacts with Mr. Claudiu Iordache and the fact that several Parliament members of the former FSN [National Salvation Front]-20 May group switched to the PSDT camp can be viewed as a promising beginning. For the time being we do not have sufficient data to attempt a prediction concerning Mr. Cornescu, but his "box-office" [in English] is growing spectacularly.

Zelenovic Urges Protection of Serbia's Interests

91BA0868A Belgrade POLITIKA in Serbo-Croatian
27 Jun 91 p 2

[Unattributed article detailing speech given by Serbian Prime Minister Dragutin Zelenovic in Serbian Assembly on 26 June: "Serbia Demands Energetic Intervention by the Federal Executive Council"]

[Text] ...This was stated in a letter sent to the Federal Government. Unless the Federal Executive Council [FEC] immediately takes the necessary steps, the Serbian government will protect the interests of the Serbian people in all parts of Yugoslavia; all the decisions necessary for this have already been prepared.

Yesterday afternoon's session of the People's Assembly of the Republic of Serbia was devoted to the current political situation in the country resulting from the unilateral decisions of Slovenia and Croatia to secede from Yugoslavia.

In connection with this, the deputies in the Serbian parliament were addressed by Dr. Dragutin Zelenovic, the prime minister, who expressed critical comments and positions with respect to the dramatic events in Yugoslavia:

"Yesterday's unconstitutional, unilateral, and arbitrary proclamation of the autonomy, sovereignty, and independence of the Republic of Slovenia and the Republic of Croatia was the most serious in a series of steps to break up the lawful order in Yugoslavia, and not only grossly violated the Yugoslav Constitution, but also presented a serious threat to the standing, material, and other interests of other Yugoslav people in these republics and all other republics in Yugoslavia. The deliberate and long-standing separatist and secessionist policy conducted in these two republics has thus reached its culmination. The Government of the Republic of Serbia does not accept the unilaterally adopted decisions and acts of the Republic of Slovenia and the Republic of Croatia with respect to secession, and does not acknowledge that those decisions and acts have either domestic or international legitimacy, and consequently all consequences entailed by these decisions will be borne by the Republic of Slovenia and the Republic of Croatia."

The Crisis Cannot Be Resolved by Force

"We do not dispute and have not disputed the right of any Yugoslav people to self-determination, including even secession, but that right, and the resulting will of every Yugoslav people, must be exercised in the manner stipulated by the country's Constitution, and in exercising it, the interests of every Yugoslav people and every republic must be equally respected and protected. The positions adopted to date by the Federal Council of the Yugoslav Assembly and the positions of the Serbian People's Assembly in connection with the statement by the president of the republic are based on this, as are the positions of the international community and the CSCE

[Conference on Security and Cooperation in Europe] which state 'that it is only up to the people of Yugoslavia themselves to decide about the country's future... without resorting to the use of force and in accordance with legal and constitutional procedure.'

"The situations of unrest that have arisen since the moment of the announcement of the decisions by the Assembly of the Republic of Croatia and the Assembly of the Republic of Slovenia demonstrate once more, in an extremely serious manner, that the crisis in the country and the extremely serious social and economic problems can by no means be solved by force, but rather exclusively in a humane, dignified, and equal manner, by agreement; this is also the basic position in the approach advocated by the Republic of Serbia.

"Such positions, and the policy of the Republic of Serbia and its bodies, the People's Assembly, and the president of the republic and Government of the Republic of Serbia have obviously shown their principled nature and fairness in the past, and have met with well-founded sympathy and support from the international community, particularly recently.

"In accordance with that policy, in this Assembly it is necessary to reiterate the already stated proposal that the Yugoslav Constitution be amended without delay so as to regulate, equally for everyone, the means of exercising the people's right to self-determination. This would allow the people who want to separate and form their own states to do so peacefully, without violence. Regulation of the means of exercising the right to self-determination by constitutional law, equally for everyone, rules out the danger of abusing that right and thus violating the equal rights of another people or peoples."

Letter to the FEC

"We expect that the federal authorities will finally, in accordance with their constitutional obligations, adopt decisive and constitutionally based measures and decisions to protect the territorial and legal integrity of Yugoslavia, and the interests, based on the Yugoslav Constitution, of all other Yugoslav peoples, republics, and citizens.

"I wish to inform the People's Assembly of the Republic of Serbia that the Serbian Government has sent a letter to the FEC in which it pointed out that the adoption of the decisions by the Republic of Croatia and the Republic of Slovenia on the departure of those republics from Yugoslavia opened up several issues resulting from those actions, and will have a fundamental effect upon the continued functioning of the federal state and of all federal authorities throughout the entire economic area of Yugoslavia. Since these are issues pertaining to all areas of the political and economic system, and particularly the unified Yugoslav market, the monetary and foreign exchange system, the customs, foreign trade, and credit system, and the country's foreign exchange reserves, it is essential that appropriate solutions be

established on all these issues as soon as possible, proceeding from the newly arisen situation in the country."

What Was Not Prevented

"The letter pointed out that the FEC and other federal authorities calmly watched and did not undertake any measures in connection with the problems that have already appeared to date, which, among other things, have been manifested in the following:

- it is not possible for the National Bank of Yugoslavia to conduct regular supervision of the work and operations of the national banks of Croatia and Slovenia;
- the national banks of Croatia and Slovenia are not participating in financing the National Bank of Yugoslavia;
- obligations to the federal budget are not being met, which has particularly serious monetary consequences because of the deficit financing of the federal budget from the primary issuance;
- an internal republic foreign exchange market has been formed in Slovenia;
- republic decisions and regulations have been adopted in Croatia and Slovenia on regulating foreign trade relations;
- obligations with respect to the regular reporting service of those national banks vis-a-vis the National Bank of Yugoslavia are not being fully met;
- special laws have been passed on republic banks with an issuance function;
- the use of the dinar as the only currency in the country, and treasury operations throughout the country, under the conditions of the departure of two republics from Yugoslavia, are an unresolved issue;
- major negative consequences for the rest of Yugoslavia are possible from the future international agreements that would be concluded by Croatia and Slovenia.

"In addition to the issues mentioned, the so-called disassociation of Slovenia and Croatia from Yugoslavia, under the newly arisen conditions, may lead to serious abuses of the primary issuance and the use of the country's foreign exchange reserves by the national banks of Slovenia and Croatia."

The Decisions Await an Answer

"In this letter the Government of the Republic of Serbia demands that the FEC, within the framework of its constitutional jurisdiction, undertake the necessary measures in all areas that are regulated by federal laws and regulations, and where, as a result of their nonapplication in the territories of Slovenia and Croatia, there could be a violation of the equal position of economic

entities, other organizations, and communities and citizens of Serbia, as a result of which there could be great material damage and violations of the freedoms, rights, and obligations of citizens and legal entities, as well as of the Republic of Serbia, within the framework of its constitutional position. The Republic of Serbia has therefore demanded energetic intervention by the FEC and the Board of Governors of the National Bank of Yugoslavia, in accordance with the Yugoslav Constitution, to prevent the damage that may occur in the monetary and foreign exchange sector as a consequence of the actions of the Croatian and Slovene authorities.

"Unless the FEC immediately undertakes the necessary measures to prevent and eliminate the above-mentioned harmful consequences, I inform the People's Assembly that the Government of the Republic of Serbia, on the basis of its authority under the Serbian constitution, will undertake all necessary measures to protect the interests of the economy, the citizens, the Republic of Serbia, and the Serbian people in all parts of Yugoslavia, all in accordance with the 25 June 1991 decisions of the Federal Council of the Yugoslav Assembly. With respect to this, all the necessary decisions have already been prepared and will go into effect when the Government of Serbia so decides," Zelenovic stated.

Report on Serbianization of Kosovo

91BA0864A Frankfurt/Main FRANKFURTER
ALLGEMEINE ZEITUNG in German 24 Jun 91 p 8

[Text] Pristina, 24 Jun—Hardly a day goes by without the Serbian Protectorate Administration coming up with something new in the administrative area designed to oppress, humiliate, or—as many believe—provoke the Albanians. At the moment, it is the educational issue that is in the limelight. Despite the fact that Serbia has claimed for years that the autonomy of its regions is a "cultural autonomy," the Republic's uniform educational program no longer provides for a separate school system for the Kosovo and Albanian population groups. Thus, in accordance with the new Serbian educational program, Albanian schoolchildren are required—as formerly children in the French colonies were—to learn the history and culture of the "mother nation;" there are only a few carefully selected, brief texts about their own history.

And that is not all: Because during the past academic year the Albanian teachers continued to teach according to the former educational program of Kosovo Region, credit is now being withheld for that academic year from all affected Albanian schoolchildren—nearly 100,000 of them. At the beginning of this academic year a "declaration of loyalty"—roughly to the effect that the teacher in question acknowledges the State of Serbia as his homeland—is being demanded of the teachers. Since most of the Albanian teachers—numbering some 15,000—may indeed refuse to comply, they will probably be fired. That will mean the end of any form of Albanian education, which is certainly the intention of

the Serbian rulers. Starting with this academic year, the university in Pristina, to date the pride of the awakening Albanian nation in Kosovo, is to be "proportionally" administered—that is, half Albanian, half Serbian—despite the fact that the Albanians represent 90 percent of the population in Kosovo. Since this probably cannot be achieved so quickly in regard to the number of students, the plan is at least to divide up the lectures. While it is said that the Albanians could make use of simultaneous translations, no practical provisions whatsoever for these have been made yet. As far as the university is concerned, the Serbian rulers are also concerned with removing all strongholds of Albanian national consciousness and all institutions that are supported by Albanians or that are suggestive of Kosovo's former identity. Because Serbia, for the sake of the "unity" of the state, is also starting to apply this policy in Vojvodina, it is facing the threat of a conflict with the Hungarian minority there.

This policy, which is reminiscent of conditions during World War II and is without precedent in present-day Europe, has analogous consequences for the economy. Albanians have calculated that the occupation of Kosovo costs Serbia 0.5 billion dinars (about 40 million German marks [DM] at the current exchange rate) each day. It must maintain about 6,000 policemen there under normal circumstances; when "danger" threatens, such as in the case of the Albanians' demonstration against coercion, an additional 5,000 or more policemen are routinely brought in—usually by way of an airlift. Almost all of the Republic of Serbia's special units are in Kosovo. In addition to the expenditures for the police, there are expenditures for the Protectorate Administration; not only have Kosovo's government and parliament been dissolved, but all local administrations as well. Nearly all the region's enterprises are in Serbian receivership.

It can easily be calculated that in the long term this situation will mean the economic and financial collapse of the Republic of Serbia. Under no circumstances will Serbia be able to stand on its own feet as a state. This may be one of the reasons—though not the only one—that led Milosevic to insist on the continued existence of Yugoslavia. Although Croatia and above all Slovenia have reduced their payments to the Federal Government, Serbia can still access funds from the federal budget for the occupation of Kosovo: on the one hand indirectly through the budget for the Army and the Federal Police, and on the other hand, as is happening more and more frequently, through "raids" on the Federal Government's monetary system which permits the republics to print money on their own authority under certain circumstances. There are new, small 10-dinar bills in Yugoslavia that are exclusively Serbian money and that are not accepted in the other republics. President of the Federal Executive Council Markovic stands by and watches these things. The West, which insists on the unity of Yugoslavia, is indirectly supporting Serbian policy in Kosovo with its insistence.

Meanwhile, Serbia is also attempting to directly exploit Kosovo and to harness the economic potential of the region for its policy. The economic structures of the region are being ruthlessly smashed and jobs taken away from Albanians—for the most part without unemployment benefits. The Albanian labor unions are threatened with open violence when they attempt to bring back the Albanians who have been removed—sometimes forcibly by the police—from their places of work. Kosovo's enterprises are being united with those of Serbia and the assets are being transferred there. Thus, the "Trepca" Mining Company in Mitrovica is to be joined to the Serbian mines in Bor. Serbia has destroyed Kosovo's banks and attempted in the process to shift responsibility for the debts to federal authorities. The largest bank in old Kosovo, the "Bank-Kos," was driven into bankruptcy and its assets were diverted to the "Beogradska Banka." Serbia wanted to assign its liabilities, above all the region's foreign debt in the amount of \$900 million (DM1.2 billion with accrued interest), 90 percent of which had been incurred by the "Bank-Kos," to the Federation, which would have meant that one-half of it would have had to be paid by Slovenia and Croatia. Markovic rejected this, but he accommodated Serbia by including not Kosovo's big bank, but only a small savings bank in his banking reorganization program. Serbia immediately turned the latter, formerly a branch of the "Ljubljanska Banka," into a Serbian state enterprise when a private finance company supported by Albanians abroad expressed an interest in it.

But Serbia is also resorting to "direct financing" in Kosovo. While Milosevic cannot insist enough on the "unity" of Serbia, in Kosovo income tax can amount to as much as 82 percent, whereas in the rest of Serbia, on the other hand, the maximum is only 29 percent. Exactly the same situation prevails in regard to fees. It is private Albanian tradesmen, for whom earning a living is often made nearly impossible, who are primarily affected. Fines are levied under every conceivable pretext. It is said that recently on a single day in Djakovica, fines amounting to DM15,000 were collected. Fathers are punished when their children make the V-sign ("victory") in front of policemen. The methods of physical oppression are cleverly administered. There are only 60 political prisoners in penitentiaries, but the number of Albanians who wind up serving 30 or 60 days for petty offenses on flimsy pretexts is enormous; these people are then cited to foreign commissions as "nonpolitical prisoners." It is an aspect of the same policy that the leaders of the Albanian opposition, most of them intellectuals well-known abroad such as the writer Rogova, the journalist and writer Buxhovi, and others, remain untouched while the local representatives of the "Democratic League" are intimidated and mistreated as much as possible.

In view of the increasingly harsh Serbian policy, the "Democratic League," with which most Albanians have identified to date, now has to put up with accusations that it is too "peaceful" and "passive." New political

forces are coming into being—such as the Christian Democrats under Krasiqi. The new groups have joined together in a “Parliamentary Party.” The latest demonstration against coercion was its work. Serbia is threatening with further repression: It has recently decided to bring charges against former party secretary Vlasi and with him, representatives of the former region’s economy. To be sure, Serbian authorities permit the occasional appearance of Albanian publications in limited numbers, but they continue to deny Albanians their own daily newspaper or their own television and radio programs. Talks are useless with the present crew in Serbia, say the Albanian leaders; by the same token, Serbia is demanding of the Albanians, apparently as a precondition for “dialogue,” a complete renunciation of any ideas of autonomy.

Active YPA Officer’s Home ‘Blown Up’

*LD0807141591 Belgrade TANJUG Domestic Service
in Serbo-Croatian 1208 GMT 8 Jul 91*

[Text] Djurdjevac, 8 Jul (TANJUG)—A house belonging to Vlado Jager, an active Yugoslav People’s Army (YPA) officer and nephew of General Martin Spegelj, former Croatian national defense minister and current commander of the Croatian National Guard, was blown up in Stari Gradac near Pitomaca last night. Vlado Jager is known from the Spegelj film made by the YPA at the house that was blown up last night. After the film’s showing Vlado Jager moved to Serbia where he now lives.

Another 15 houses in the village were damaged by the explosion. An investigation is being carried out by the Djurdjevac police.